



Michigan Finance Authority

(A Discretely Presented Component Unit of the State of Michigan)

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2020

RACHAEL EUBANKS
Chairperson of Board

DEBORAH M. ROBERTS
Executive Director



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INTRODUCTORY SECTION

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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

December 21, 2020

The Honorable Gretchen Whitmer, Governor
Members of the Legislature
People of the State of Michigan

As required by Article 9, Section 21, of the State Constitution and Section 494, Public Act 431 of 1984, as amended, we are pleased to submit the Michigan Finance Authority Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2020.

INTRODUCTION TO THE REPORT

Responsibility: The Department of Treasury, Bureau of State and Authority Finance, Michigan Finance Authority prepares the CAFR and is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including disclosures. To the best of our knowledge and belief, the information contained in the CAFR is accurate in all material respects and reported in a manner that fairly presents the financial position and results of operations of the primary government. All disclosures necessary to enable the reader to gain a reasonable understanding of the Authority's financial affairs have been included.

Adherence to Generally Accepted Accounting Principles: As required by State statute, we have prepared the financial statements contained in the CAFR in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). The Authority also voluntarily follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the contents of government financial reports.

Internal Control Structure: The Michigan Finance Authority is responsible for the overall operation of the Authority's central accounting system and for establishing and maintaining the Authority's internal control structure. The objective of the internal control structure is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The cost of the Authority's internal control structure was designed to not exceed the benefits derived from maintaining such controls.

Act 431 requires each principal department to maintain adequate internal control systems. Each department is also required to periodically report to the Governor on the adequacy of its internal accounting and administrative control systems and, if any material weaknesses exist, provide corrective action plans and time schedules for addressing such weaknesses. This reporting is required on or before May 1 of each odd numbered year, effective as of the preceding October 1.

Internal Auditors: Pursuant to Executive Order 2007-31, the Office of Internal Audit Services (OIAS) provides internal audit services to departments and agencies. OIAS performs periodic financial, performance, and compliance audits of department and agency programs and organizational units. In addition to periodic audits, OIAS also reviews department and agency management's processes for establishing, monitoring, and reporting on internal controls; advises department and agency management on internal control matters; and assists department and agency management with investigations of alleged fraud or other irregularities.

Independent Auditors: Plante & Moran, PLLC is the principal auditor of the CAFR. The purpose of Plante Moran's audit is to provide reasonable assurance that the Basic Financial Statements for the fiscal year ended September 30, 2020 are free of material misstatements. Plante Moran concluded that the Basic Financial Statements for the fiscal year ended September 30, 2020 are fairly presented in accordance with GAAP and issued unmodified opinions.

Legislative Auditors: The Office of the Auditor General (OAG) has the responsibility, as stated in Article 4, Section 53 of the State Constitution, to conduct post financial and performance audits of State government operations. In addition, certain sections of the Michigan Compiled Laws contain specific audit requirements in conformance with the constitutional mandate. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act Amendments of 1996. Pursuant to Michigan Public Act 233 of 2012, an annual statewide single audit will be conducted for applicable State departments, agencies and component unit authorities, and will result in a separately issued audit report.

Management's Discussion and Analysis (MD&A): GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A immediately follows the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The Authority is a discretely presented component unit of the State of Michigan that consolidated certain public finance authorities in Michigan in accordance with Executive Order No. 2010-2, effective May 30, 2010. The Authority combined the operations of 10 different public finance authorities (Michigan Forest Finance Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Municipal Bond Authority, Michigan Public Educational Facilities Authority, Michigan State Hospital Finance Authority, Michigan Tobacco Settlement Finance Authority, Michigan Underground Storage Tank Financial Assurance Authority, and State Higher Education Facilities Commission). In addition, the authorization to finance the facilities of public and private schools, formerly under the Michigan Strategic Fund, and to issue bonds and notes on behalf of the State Land Bank Fast Track Authority was transferred to the Authority.

Reporting Entity: The financial reporting entity of the Authority includes all of the funds of the primary government. The transmittal letter, MD&A, and the financial statements focus on the primary government and its activities.

Budgetary Reporting and Control: All administrative functions of the Authority, including budgeting, procurement, personnel, and management functions, are under the direction and supervision of the State Treasurer. The Authority is governed by its own Board of Directors, composed of seven members, consisting of the State Treasurer as chair and six appointees of the Governor with the advice and consent of the State Senate. The Board provides overall governing direction for the Authority. The Authority completes an annual appropriation process for its three operating funds as part of the overall budgetary process of the primary

government. Revenues and expenditures are projected including calculated fund balances for budgetary purposes in accordance with GAAP. Public Act 431, as amended, prohibits the Authority from budgeting an ending fund balance deficit. If an actual deficit is incurred, the Constitution and Act 431 require that it be addressed in the subsequent year's budget. If accounting principles change, Act 431 requires the Authority to also implement such changes in the budgetary process.

Compliance with the final updated budget for the Authority's operating funds is demonstrated through the publication of the Statewide Authorization and Dispositions report that provides line item appropriation details and the legal level of budgetary control for the Authority's appropriated funds.

The Authority's governmental funds are not annually appropriated. Enabling legislation provides spending authorization for the Authority to pay scheduled debt service payments and to engage the services of financial advisors, legal counsel, placement agents, underwriters, appraisers and other advisors, consultants, and fiduciaries as may be necessary to effectuate the purposes of the acts. The Michigan Finance Authority bond official statements establish authorization to pay applicable administrative expenditures.

Long-Term Financial Planning: The Authority's long-term financial planning is tied to the Authority's mission to provide its qualifying customers with effective, low-cost options to finance the acquisition, construction, improvement, or alteration of land, facilities, equipment, the payment of project costs, or to refinance existing debt. Each bond transaction is reviewed and approved separately by the Authority's Board of Directors. The Authority's fee structure is designed to cover the costs of each bond transaction executed. The Michigan Guaranty Agency projects revenues and expenditures on a monthly basis. Also the Guaranty Agency annually calculates and updates the fees that will be assessed to defaulted borrower accounts which covers the internal costs of collecting those funds.

MAJOR INITIATIVES

The Michigan Finance Authority continues to carry out its mission in assisting school districts, cities and local governments, hospitals, colleges, and access to higher education in fiscal year 2020 by issuing 23 bond and note deals totaling \$2.6 billion in order to provide current and future funding for the Authority's various programs.

School Districts: Through its Local Municipalities Subfund, Public School Academy Facilities Fund, and School Loan Revolving Subfund, the Authority issued \$595.3 million of bonds, \$19.4 million of tax anticipation notes, and \$438.7 million of state aid notes for the purpose of assisting school districts and public school academies with specialized financing needs for capital improvements and other projects.

Cities and Local Governments: Through its Local Municipalities Subfund and its State Revolving Subfund, the Authority issued \$55.1 million of bonds for the purpose of assisting cities, townships, and local municipalities with specialized financing needs.

Hospitals: Through its Healthcare Finance Fund, the Authority issued \$1.4 billion of bonds for the purpose of assisting eligible healthcare providers and facilities with financing for capital improvements.

Colleges: Through its Higher Education Facilities Fund, the Authority issued \$73.7 million of bonds for the purpose of assisting eligible higher education institutions within the state with financing for capital improvements.

Michigan Guaranty Agency: Through the Michigan Guaranty Agency, a fiduciary fund, the Authority paid \$52.1 million of claims during fiscal year 2020 to qualified lenders for loans guaranteed under the Federal Family Education Loan Program made to qualified students and parents of qualified students in Michigan.

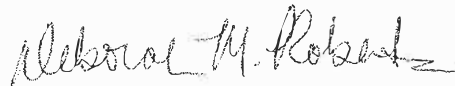
AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Michigan Finance Authority for its comprehensive annual financial report for the fiscal year ended September 30, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the fifth consecutive year that the Michigan Finance Authority received this award. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements: The preparation of this report requires the collective efforts of the management and staff of the Michigan Finance Authority, as well as the management and staff of the Authority's independent auditors, Plante Moran. We sincerely appreciate the dedicated efforts of all of these individuals that have allowed MFA to establish its position as a leader in quality and efficiency for financial reporting.

Sincerely,



Deborah M. Roberts
Director, Bureau of State and Authority Finance



Rachael Eubanks
State Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Michigan Finance Authority

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

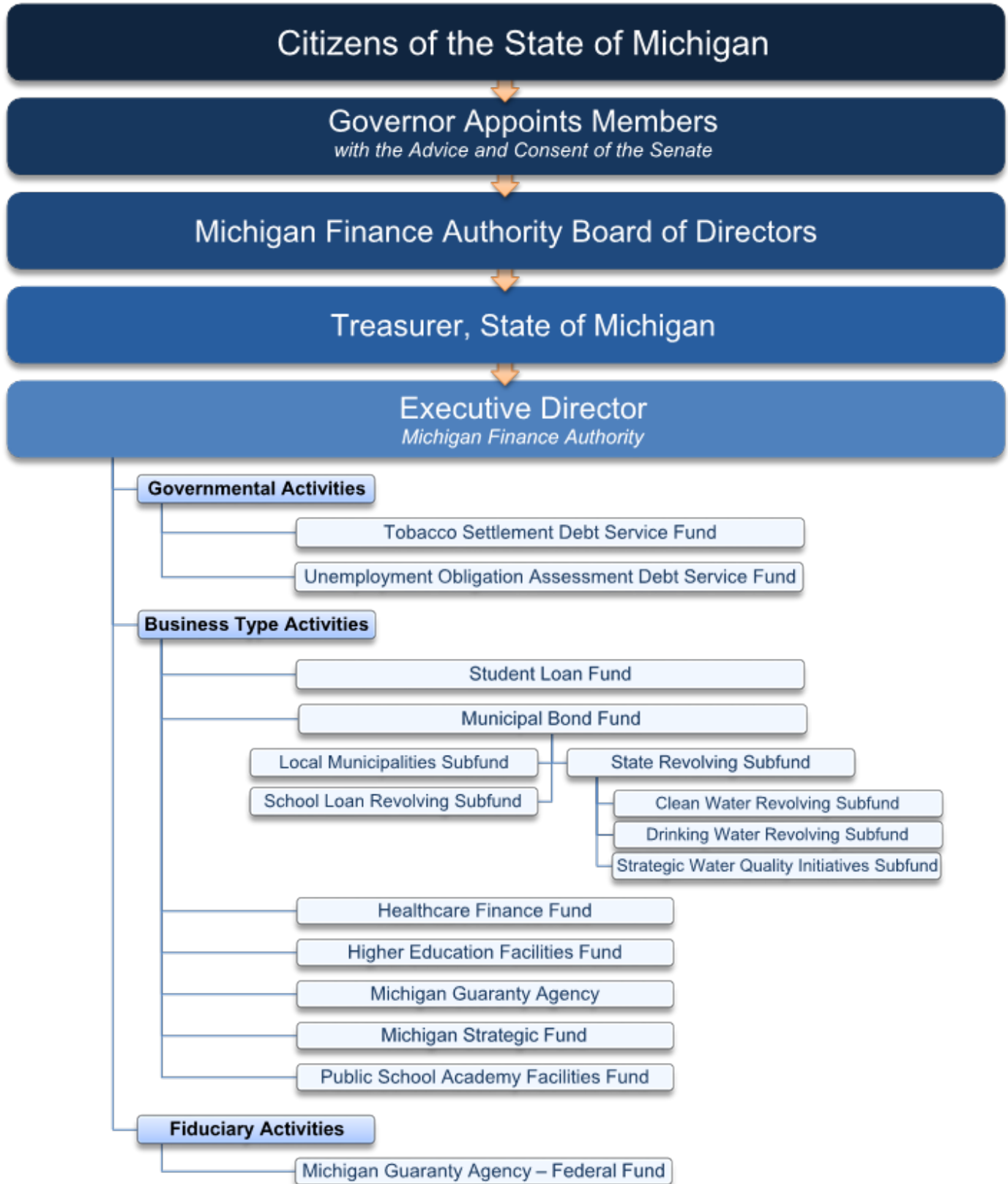
Christopher P. Morill

Executive Director/CEO

MICHIGAN FINANCE AUTHORITY

(A Component Unit of the State of Michigan)

ORGANIZATIONAL STRUCTURE





PRINCIPAL OFFICIALS
MICHIGAN FINANCE AUTHORITY BOARD OF DIRECTORS
(As of September 30, 2020)

Rachael Eubanks

State Treasurer
Chair of Board, Michigan Finance Authority

Joyce Parker

Deputy State Treasurer
State Treasurer Representative, Michigan Finance Authority

Deborah M. Roberts

Director, Bureau of State and Authority Finance
Executive Director, Michigan Finance Authority

Board Members

Bill Beekman

Vice President and Director of Athletics
Michigan State University
Term expires: 9/30/2021

Timothy A. Hoffman

Retired Executive Director of Regulatory
Affairs
Term expires: 9/30/2022

Luke Forrest

Executive Director, Community Economic
Development Association of Michigan
Term expires: 9/30/2020

Travis D. Jones

Executive Vice President and CFO
GreenStone Farm Credit Services
Term expires: 9/30/2021

Anna E. Heaton

Vice President of Marketing &
Communications, Business Leaders of
Michigan
Term expires: 9/30/2022

Murray D. Wikol

President and CEO, ProVisions
Term expires: 9/30/2022

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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Michigan Finance Authority, a discretely presented component unit of the State of Michigan, as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the Michigan Finance Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Michigan Finance Authority as of September 30, 2020 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which explains that these financial statements present only the Michigan Finance Authority and do not purport to, and do not, present fairly the financial position of the State of Michigan as of September 30, 2020 or the changes in its financial position or, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan Finance Authority

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Michigan Finance Authority's basic financial statements. The accompanying supplemental financial statements, supplemental financial schedules, introductory section, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplemental financial statements and supplemental financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental financial statements and supplemental financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020 on our consideration of the Michigan Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Michigan Finance Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of the Michigan Finance Authority's (the Authority's) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2020. Please read it with the Authority's financial statements, which follow this section.

HIGHLIGHTS

- The Authority is a discretely presented component unit of the State of Michigan that consolidated certain public finance authorities in Michigan in accordance with Executive Order No. 2010-2, effective May 30, 2010. The Authority combined the operations of 10 different public finance authorities (Michigan Forest Finance Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Municipal Bond Authority, Michigan Public Educational Facilities Authority, Michigan State Hospital Finance Authority, Michigan Tobacco Settlement Finance Authority, Michigan Underground Storage Tank Financial Assurance Authority, and State Higher Education Facilities Commission). In addition, the authorization to finance the facilities of public and private schools, formerly under the Michigan Strategic Fund, and to issue bonds and notes on behalf of the State Land Bank Fast Track Authority was transferred to the Authority.
- The Authority's total net long-term secured debt as of September 30, 2020 was \$7,395.6 million, a decrease of \$106.1 thousand from the prior year. The decrease represents the net difference between new issuances, debt service payments, and refunding of debt. In addition, the Authority also has \$10,762.4 million of conduit debt obligations outstanding as of September 30, 2020. The Authority has limited obligation for the conduit debt, and therefore does not record a liability in the financial statements. During the fiscal year ended September 30, 2020, the Authority issued new and refunding debt of \$2.6 billion, of which \$1.5 billion was conduit debt obligations and, therefore, was not recorded as debt of the Authority (Notes 8 and 9).
- More detailed information regarding the government-wide, fund-level, and long-term debt activities can be found beginning on page 19.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Authority's basic financial statements, which are comprised of four components: 1) government-wide financial statements, 2) governmental and proprietary fund financial statements, 3) fiduciary fund financial statements, and 4) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities report information on all non-fiduciary activities of the Authority using the accrual basis of accounting. Authority activities are distinguished between governmental and business-type activities. The current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both statements report two activities:

- *Governmental Activities* - The statements report information on all non-fiduciary and non-business-type activities of the Authority. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.
- *Business-Type Activities* - The Authority charges fees to customers to help it cover the cost of services it provides. Program revenues include charges to users who directly benefit from the services, grants, and contributions that are restricted to meeting the requirements of a function.

Fund Financial Statements

The fund financial statements provide detailed information about the major individual funds and aggregate information about non-major funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Authority uses to account for specific sources of funding and spending for a particular purpose. The Authority's funds are divided into three categories (governmental, proprietary, and fiduciary) and use different accounting methodologies, which are driven by required governmental accounting standards and pronouncements:

- *Governmental Funds* - The Authority's major governmental funds include the General Fund, the Tobacco Settlement Debt Service Fund, and the Unemployment Obligation Assessment Debt Service Fund. These funds are reported using the modified accrual basis of accounting, which focuses on near-term (generally 60 days) inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.
- *Proprietary Funds* - The Authority's major proprietary funds include the Municipal Bond Fund and the Student Loan Fund. These funds are reported using the full accrual basis of accounting, which provides short-term and long-term financial information about the activities of the Authority.
- *Fiduciary Fund* - The Authority's fiduciary fund is the Michigan Guaranty Agency Federal Fund that is used to account for funds received from various sources and held by the Authority on behalf of the U.S. Department of Education (USDOE). These funds are reported using the full accrual basis of accounting. The government-wide financial statements exclude fiduciary fund activities and balances because these assets do not represent resources of the Authority to finance its operations, restricted or otherwise, and are held in trust.

Additional Required Supplementary Information

Following the basic financial statements is additional required supplementary information that explains and supports the information in the Authority's General Fund financial statements as well as provides additional information on the Authority's share of the State's net pension liability and net other postretirement benefit (OPEB) liabilities and related Authority annual contribution activity. The required supplementary information includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at fiscal year-end as well as includes information on the Authority's employee pension and OPEB contributions compared to overall payroll costs.

Other Supplemental Information

Other supplemental information provided at the end of the report includes combining financial statements and schedules for each non-major proprietary fund and each subfund of major proprietary funds. These funds are combined, by fund type, and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The following statement of net position presents the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of September 30, 2020 and September 30, 2019:

STATEMENT OF NET POSITION

As of September 30

(In Millions)

	Governmental Activities		Business-Type Activities		Total Authority	
	2020	2019	2020	2019	2020	2019
Total current assets	\$ 134.7	\$ 298.3	\$ 5,055.4	\$ 3,986.8	\$ 5,190.1	\$ 4,285.1
Total non-current assets	19.3	29.5	6,807.0	8,233.3	6,826.2	8,262.8
Total assets	\$ 154.0	\$ 327.8	\$ 11,862.4	\$ 12,220.1	\$ 12,016.4	\$ 12,547.9
Deferred outflows of resources	\$ 1.1	\$ 1.1	\$ 32.8	\$ 38.8	\$ 33.8	\$ 39.9
Total current liabilities	\$ 38.1	\$ 212.7	\$ 1,143.9	\$ 1,634.1	\$ 1,182.1	\$ 1,846.8
Total non-current liabilities	1,149.7	1,137.8	6,291.2	6,302.2	7,440.8	7,440.0
Total liabilities	\$ 1,187.8	\$ 1,350.5	\$ 7,435.1	\$ 7,936.3	\$ 8,622.9	\$ 9,286.8
Deferred inflows of resources	\$ 0.0	\$ 0.0	\$ 4.5	\$ 4.2	\$ 4.5	\$ 4.2
Net position:						
Restricted	\$ 0.0	\$ 0.0	\$ 4,406.5	\$ 4,272.9	\$ 4,406.5	\$ 4,272.9
Unrestricted	(1,032.8)	(1,021.6)	49.2	45.6	(983.6)	(976.0)
Total net position	\$ (1,032.8)	\$ (1,021.6)	\$ 4,455.6	\$ 4,318.5	\$ 3,422.8	\$ 3,296.9

The Authority's total current assets increased by \$905.0 million (21.1%) and total noncurrent assets decreased by \$1,436.6 million (17.4%) during the fiscal year 2020. The increase in total current assets and decrease in noncurrent assets was due primarily to a reduction in the Receivable from the State of Michigan for payments received from school districts within the School Loan Revolving Subfund.

The governmental activities total current assets decreased by \$163.6 million (54.8%) and total noncurrent assets decreased by \$10.3 million (34.8%). The decrease in current assets was due to the decrease in investments on hand in the Unemployment Obligation Assessment Debt Service Fund that was used for debt service in fiscal year 2020. The decrease in noncurrent assets was due to a decrease in noncurrent investments in the Tobacco Settlement Debt Service Fund that were classified in current this fiscal year.

The business-type activities total current assets increased by \$1,068.6 million (26.8%) primarily due to the increase in cash and cash equivalents in the School Loan Revolving Subfund from school district payments received in the current fiscal year. The business-type activities total noncurrent assets decreased by \$1,426.3 million (17.3%), primarily due to the decrease in the School Loan Revolving Subfund receivable from State of Michigan for payments received from school districts.

The Authority's total current liabilities decreased by \$664.8 million (36%) and total noncurrent liabilities increased by \$0.9 million during fiscal year 2020. This decrease in current and increase in non-current liabilities was primarily caused by a decrease in the debt service requirements of the Authority compared to the prior year. Annual debt service requirements, by year, are disclosed in Note 8 – Bonds and Notes Payable, Net, section b.

The governmental activities total current liabilities decreased by \$174.6 million (82.1%). This decrease in total current liabilities was primarily caused by a decrease in the current debt service requirements of the Authority within the Unemployment Obligation Assessment Debt Service Fund. Annual debt service requirements, by year, are disclosed in Note 8 – Bonds and Notes Payable, Net, section b. The governmental activities total noncurrent liabilities increased by \$11.9 million (1.0%) primarily due to the unamortized accretion of capital appreciation bonds within the Tobacco Settlement Debt Service Fund.

The business-type activities total current liabilities decreased by \$490.1 million (30.0%). This decrease in current liabilities was primarily caused by a decrease in the current debt service requirements within the School Loan Revolving Fund from the refunding debt service requirements from current to noncurrent liabilities compared to the prior year. Annual debt service requirements, by year, are disclosed in Note 8 – Bonds and Notes Payable, Net, section b. The business-type activities total noncurrent liabilities decreased by \$11.0 million (0.2%) primarily due to a decrease in debt service requirements of the Authority compared to the prior year.

The Authority's net position in unrestricted net assets of negative \$983.6 million as of September 30, 2020 is the result of the Authority recording liabilities for the entire amount of outstanding bonds for its tobacco settlement bonds. The tobacco settlement bonds are payable from proceeds from the Authority's share of future Master Settlement Agreement (MSA) receipts; however, accounting principles preclude the Authority from recording the total anticipated receipts of these proceeds (Receivable – Tobacco Settlement Revenue) because the underlying economic events have not yet occurred for future years.

The Authority's net position in restricted net assets of \$4,406.5 million as of September 30, 2020 represents resources that can be used only in accordance with external restrictions or enabling legislation. This is an overall improvement in financial position compared to the prior year.

The following condensed financial information was derived from the government-wide statement of activities and reflects the Authority's change in net position during the fiscal year:

CHANGES IN NET POSITION

For the Fiscal Years Ended September 30

(In Millions)

	Governmental Activities		Business-Type Activities		Total Authority	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 66.5	\$ 90.6	\$ 288.8	\$ 325.0	\$ 355.3	\$ 415.6
Operating grants and contributions	2.6	11.1	207.6	163.7	210.3	174.8
Total revenues	\$ 69.1	\$ 101.7	\$ 496.4	\$ 488.7	\$ 565.6	\$ 590.4
Expenses						
Total expenses	\$ 80.3	\$ 83.7	\$ 359.3	\$ 384.4	\$ 439.6	\$ 468.0
Increase (Decrease) in net position	\$ (11.2)	\$ 18.0	\$ 137.2	\$ 104.3	\$ 126.0	\$ 122.3
Net position - Beginning of fiscal year	(1,021.6)	(1,039.6)	4,318.5	4,214.2	3,296.9	3,174.5
Net position - End of fiscal year	\$ (1,032.8)	\$ (1,021.6)	\$ 4,455.6	\$ 4,318.5	\$ 3,422.8	\$ 3,296.9

The Authority's total revenue for fiscal year 2020 decreased by \$24.7 million (4.2%) over the prior year, primarily due to a decrease in investment income received within the Authority compared to the prior year.

The Authority's total expenses in fiscal year 2020 decreased by \$28.4 million (6.1%) from fiscal year 2019 expenses, primarily from a decrease in interest expense in the Student Loan Operating Fund and the Municipal Bond Fund.

FINANCIAL ANALYSIS OF THE AUTHORITY'S MAJOR FUNDS**General Fund**

The General Fund accounts for the administrative expenditures for the Tobacco Settlement Debt Service Fund and the Unemployment Obligation Assessment Debt Service Fund. General Fund total assets, which are all current as of September 30, 2020, decreased by \$15,015 (0.6%) primarily because of investments held within the General Fund decreased from the prior fiscal year. General Fund revenues decreased by \$8,397 (1.8%), primarily because the decrease in investment income from the prior fiscal year.

General Fund total liabilities, which are all current, decreased by \$118,118 (39.6%) as a result of administrative expenditures payable at the balance sheet date. Payroll and administrative overhead allocations to the General Fund are calculated once per year at year-end and therefore payable at the balance sheet date.

Other administrative expenditures increased by \$307,932 (85.5%) when compared to the prior fiscal year because of an increase in the costs allocated to the General Fund for MFA for the final expenses involved in the Unemployment Obligation Assessment Debt Service Fund during fiscal year 2020.

There are no variances between the General Fund original budget and final budget, nor are there variances between the final budget and actual results. The Authority does not estimate revenue for budget purposes, and the Authority is allowed to spend the collected revenue without restrictions. Therefore, the original budget reflects the final budget, and the actual revenue reflects the budgeted revenue. There were no changes from the original budget to the final budget.

Tobacco Settlement Debt Service Fund

Tobacco Settlement Debt Service Fund total current assets increased \$5.3 million (4.2%) as a result of an increase in the current investments at year-end. Total noncurrent assets decreased by \$10.3 million (34.8%) as a result of a decrease in noncurrent investments during fiscal year 2020.

Tobacco Settlement Debt Service Fund revenues decreased by \$8.1 million (10.5%) and expenditures decreased by \$7.7 million (9.9%). All TSR collections are contingent upon actual tobacco product sales and are subject to various adjustments as outlined in the MSA.

Unemployment Obligation Assessment Debt Service Fund

Unemployment Obligation Assessment Debt Service Fund total current assets decreased by \$168.2 million (100%). The decrease was due to the receivable due from the State of Michigan for revenue collections being received fully during the fiscal year. The Fund had no liabilities on September 30, 2020.

Unemployment Obligation Assessment Debt Service Fund revenues decreased by \$28.5 million (86.5%) because the fund only recognizes revenue for interest income from the State and all other transfers from LEO are a reduction in the receivable from primary government when received with no revenue component. Expenditures in fiscal year 2020 decreased by \$421.5 million (71.0%) compared to expenditures in fiscal year 2019. Expenditures are driven based on resources on hand prior to scheduled redemption dates on the bonds for payment of principal and interest on debt service.

Municipal Bond Fund

Municipal Bond Fund total current assets increased by \$1,069.6 million (28.9%) and total noncurrent assets decreased by \$1,363.6 million (17.5%) during fiscal year 2020. The increase in total current assets was due from an increase in current cash and investments. The decrease in total noncurrent assets was primarily due to the decrease in Receivables from the State of Michigan in the School Loan Revolving Subfund from school districts decreased loan balances.

Total current liabilities decreased by \$491.6 million (31.9%) and total noncurrent liabilities increased by \$62.9 million (1.1%). The current and noncurrent liabilities decrease and increase is primarily due to School Loan Revolving Fund refundings and State Revolving Fund new bond issues.

Municipal Bond Fund operating revenues decreased by \$65.0 million (17.5%) during fiscal year 2020. This decrease was primarily a result of a decrease in investment income and interest revenue during the fiscal year. Operating expenses decreased by \$13.2 million (5.0%) in fiscal year 2020 primarily because a decrease in interest expense due to decrease in debt service requirements on bond issues.

Municipal Bond Fund nonoperating revenues and expenses, net, increased by \$86.9 million (734.0%) primarily as a result of an increase in operating subsidies received during the fiscal year. Operating Subsidies represent resources for current and future use to administer the programs.

Student Loan Fund

Student Loan Fund total current assets decreased by \$15.1 million (7.1%) and total noncurrent assets decreased by \$56.7 million (14.4%). The overall decrease was due primarily from the \$63.1 million decrease in the loan receivable. New loans have not been originated since June 30, 2010.

Student Loan Fund total current liabilities decreased by \$3.1 million (4.6%) and total noncurrent liabilities decreased by \$74.2 million (18.1%) primarily due to mandatory redemptions of bonds and notes totaling \$77.6 million.

Student Loan Fund operating revenues decreased by \$10.6 million (33.9%), primarily attributable to the decrease of \$3.2 in federal revenue from special allowance, \$3.9 million in interest revenue from loans and \$2.5 million in investment income. Operating expenses decreased by \$7.9 million (33.8%) primarily due to the \$6.0 million decrease in interest expense and \$1.1 million decrease in arbitrage expense. Administrative

expenses decreased by \$0.8 million primarily due to a decrease of the student loan portfolio which decreased administrative overhead.

ECONOMIC FACTORS

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. While the COVID-19 pandemic could have an adverse effect on the Authority's operations over time, no impairments were recorded as of the statement of net position date, as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. The Authority continues to evaluate the impact of COVID-19, but the extent of the impact cannot be reasonably estimated at this time.

CONTACTING THE MICHIGAN FINANCE AUTHORITY

Additional information about the Authority as well as annual statistical and audit reports can be found at www.michigan.gov/mfa.

The contact information for the Authority is:

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Lansing, MI 48922

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BASIC FINANCIAL STATEMENTS

Michigan Finance Authority

STATEMENT OF NET POSITION

September 30, 2020

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	\$	\$ 2,084,090,711	\$ 2,084,090,711
Receivable - Tobacco settlement revenue	51,890,876		51,890,876
Receivable from federal government		671,840	671,840
Receivable from other funds		1,500,135	1,500,135
Interest receivable	394,725	78,096,162	78,490,887
Investments (Note 3)	82,401,761	1,877,720,474	1,960,122,235
Notes receivable (Note 5)		449,006,376	449,006,376
Loans receivable, net (Note 6)		261,923,584	261,923,584
Bonds receivable (Note 7)		301,795,000	301,795,000
Other current assets		627,091	627,091
Total current assets	\$ 134,687,362	\$ 5,055,431,373	\$ 5,190,118,735
Noncurrent assets:			
Receivable from State of Michigan (Note 4)	\$	\$ 417,554,828	\$ 417,554,828
Investments (Note 3)	19,263,660	283,842,738	303,106,398
Notes receivable (Note 5)		18,000,000	18,000,000
Loans receivable, net (Note 6)		2,232,828,328	2,232,828,328
Bonds receivable (Note 7)		3,854,747,886	3,854,747,886
Total noncurrent assets	\$ 19,263,660	\$ 6,806,973,780	\$ 6,826,237,440
Total assets	\$ 153,951,022	\$ 11,862,405,153	\$ 12,016,356,175
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding (Note 1)	\$ 1,051,917	\$ 29,224,431	\$ 30,276,348
Deferred outflows related to pensions (Note 13)		798,346	798,346
Deferred outflows related to OPEB (Note 14)		2,769,855	2,769,855
Total deferred outflows of resources	\$ 1,051,917	\$ 32,792,632	\$ 33,844,549
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	\$ 179,878	\$ 55,420,462	\$ 55,600,340
Bonds and notes payable, net (Note 8)	20,130,000	991,554,251	1,011,684,251
Interest payable	17,820,276	88,070,906	105,891,182
Unearned revenue		5,000,000	5,000,000
Arbitrage payable		3,898,696	3,898,696
Total current liabilities	\$ 38,130,154	\$ 1,143,944,315	\$ 1,182,074,469
Noncurrent liabilities:			
Bonds and notes payable, net (Note 8)	\$ 1,149,646,936	\$ 6,245,993,267	\$ 7,395,640,203
Arbitrage payable		24,701,435	24,701,435
Compensated absences	18,883	558,023	576,906
Net pension liability (Note 13)		8,468,088	8,468,088
Net OPEB liability (Note 14)		11,446,387	11,446,387
Total noncurrent liabilities	\$ 1,149,665,819	\$ 6,291,167,200	\$ 7,440,833,019
Total liabilities	\$ 1,187,795,973	\$ 7,435,111,515	\$ 8,622,907,488
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding (Note 1)	\$	\$ 1,607,575	\$ 1,607,575
Deferred inflows related to pensions (Note 13)		350,206	350,206
Deferred inflows related to OPEB (Note 14)		2,495,931	2,495,931
Total deferred inflows of resources	\$ 0	\$ 4,453,712	\$ 4,453,712
NET POSITION			
Restricted for (Note 1):			
Municipal bond fund	\$	\$ 4,268,576,011	\$ 4,268,576,011
Student loan fund		66,395,402	66,395,402
Other purposes		71,488,326	71,488,326
Unrestricted (deficit) (Note 2)	(1,032,793,034)	49,172,819	(983,620,215)
Total net position	\$ (1,032,793,034)	\$ 4,455,632,558	\$ 3,422,839,524

The accompanying notes are an integral part of the financial statements.

Michigan Finance Authority

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Tobacco Settlement	\$ 82,985,122	\$ 63,402,587	\$ 2,066,831	\$ (17,515,704)	\$	\$ (17,515,704)
Unemployment Obligation	(2,670,237)	3,101,840	575,618	6,347,695		6,347,695
Total Governmental Activities	\$ 80,314,885	\$ 66,504,427	\$ 2,642,449	\$ (11,168,009)	\$ 0	\$ (11,168,009)
Business-Type Activities:						
Municipal Bond Fund	\$ 330,817,805	\$ 256,045,464	\$ 203,382,656	\$	\$ 128,610,315	\$ 128,610,315
Student Loan Fund	15,432,846	18,595,165	2,019,433		5,181,752	5,181,752
Non-Major Funds						
Michigan Guaranty Agency - Operating Fund	10,602,620	12,410,367	1,696,915		3,504,662	3,504,662
Michigan Finance Authority - Operating Fund	1,993,449	1,208,319	456,892		(328,238)	(328,238)
Public School Academy Facilities Fund	466,323	577,924	77,411		189,012	189,012
Total Business-Type Activities	\$ 359,313,043	\$ 288,837,239	\$ 207,633,307	\$ 0	\$ 137,157,503	\$ 137,157,503
Total Michigan Finance Authority	\$ 439,627,928	\$ 355,341,666	\$ 210,275,756	\$ (11,168,009)	\$ 137,157,503	\$ 125,989,494
Change in Net Position				\$ (11,168,009)	\$ 137,157,503	\$ 125,989,494
Net Position-beginning				(1,021,625,025)	4,318,475,055	3,296,850,030
Net Position-ending				\$ (1,032,793,034)	\$ 4,455,632,558	\$ 3,422,839,524

The accompanying notes are an integral part of the financial statements.

Michigan Finance Authority

GOVERNMENTAL FUNDS

BALANCE SHEET

September 30, 2020

	Major Funds			Totals
	General Fund	Tobacco Settlement Debt Service Fund	Unemployment Obligation Assessment Debt Service Fund	
ASSETS				
Current assets:				
Receivable - Tobacco settlement revenue	\$ 343,835	\$ 51,547,041	\$	\$ 51,890,876
Interest receivable		394,725		394,725
Investments (Note 3)	2,094,939	80,306,822		82,401,761
Total current assets	<u>\$ 2,438,774</u>	<u>\$ 132,248,588</u>	<u>\$ 0</u>	<u>\$ 134,687,362</u>
Noncurrent assets:				
Investments (Note 3)	\$	\$ 19,263,660	\$	\$ 19,263,660
Total noncurrent assets	<u>\$ 0</u>	<u>\$ 19,263,660</u>	<u>\$ 0</u>	<u>\$ 19,263,660</u>
Total assets	<u>\$ 2,438,774</u>	<u>\$ 151,512,248</u>	<u>\$ 0</u>	<u>\$ 153,951,022</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total assets and deferred outflows of resources	<u>\$ 2,438,774</u>	<u>\$ 151,512,248</u>	<u>\$ 0</u>	<u>\$ 153,951,022</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	\$ 179,878	\$	\$	\$ 179,878
Total current liabilities	<u>\$ 179,878</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 179,878</u>
Total liabilities	<u>\$ 179,878</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 179,878</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (Note 1)	\$ 343,835	\$ 51,547,041	\$ 0	\$ 51,890,876
FUND BALANCE				
Fund balance:				
Restricted for debt service	\$	\$ 99,965,207	\$	\$ 99,965,207
Restricted for administrative expenditures	1,915,061			1,915,061
Total fund balance	<u>\$ 1,915,061</u>	<u>\$ 99,965,207</u>	<u>\$ 0</u>	<u>\$ 101,880,268</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,438,774</u>	<u>\$ 151,512,248</u>	<u>\$ 0</u>	<u>\$ 153,951,022</u>

The accompanying notes are an integral part of the financial statements.

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION**

September 30, 2020

Total fund balances for governmental funds \$ 101,880,268

Amounts reported for governmental activities in the statement of net position are different

Deferred loss on refunding is the difference between the carrying value of refunded bonds and their reacquisition price, which is recognized as an expenditure in the governmental fund when the bonds are refunded, whereas the loss is amortized and expensed over the shorter of the life of the refunded or refunding bonds in the statement of activities.

1,051,917

Interest payable on bonds is not due and payable in the current period and therefore is not reported in the governmental funds, whereas a liability is established for bond interest when incurred in the statement of net position.

(17,820,276)

Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds, whereas a liability for the bonds is established when the bonds are issued in the statement of net position.

(1,169,776,936)

Unavailable revenue is recorded in governmental funds for tobacco settlement revenue that has been earned but is not available, whereas revenue is recognized when earned in the statement of net position.

51,890,876

Compensated absences payable are not due and payable in the current period and therefore are not reported in the governmental funds, whereas a liability is established for absences when earned in the statement of net position.

(18,883)

Net position (deficit)

\$ (1,032,793,034)

The accompanying notes are an integral part of the financial statements.

Michigan Finance Authority

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2020

	Major Funds			
	General Fund	Tobacco Settlement Debt Service Fund	Unemployment Obligation Assessment Debt Service Fund	Totals
REVENUES				
Tobacco settlement revenue	\$ 445,094	\$ 66,678,279	\$	\$ 67,123,373
Unemployment obligation assessment revenue			3,852,510	3,852,510
Investment income	18,730	2,050,120	573,599	2,642,449
Total revenues	\$ 463,824	\$ 68,728,399	\$ 4,426,109	\$ 73,618,332
EXPENDITURES				
Interest and principal on bonds and notes	\$	\$ 69,953,736	\$ 172,278,552	\$ 242,232,288
Other administrative expenditures	668,292			668,292
Total expenditures	\$ 668,292	\$ 69,953,736	\$ 172,278,552	\$ 242,900,580
Excess of revenues over (under) expenditures	\$ (204,468)	\$ (1,225,337)	\$ (167,852,443)	\$ (169,282,248)
OTHER FINANCIAL SOURCES (USES)				
Transfers from other funds	\$ 297,557	\$	\$	\$ 297,557
Transfers to other funds			(297,557)	(297,557)
Total other financing sources (uses)	\$ 297,557	\$ 0	\$ (297,557)	\$ 0
Change in fund balance	\$ 93,089	\$ (1,225,337)	\$ (168,150,000)	\$ (169,282,248)
Fund balance - Beginning of fiscal year	1,821,972	101,190,544	168,150,000	271,162,516
Fund balance - End of fiscal year	\$ 1,915,061	\$ 99,965,207	\$ 0	\$ 101,880,268

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2020

Net change in fund balance - Total governmental funds \$ (169,282,248)

Amounts reported for governmental activities in the statement of activities are different because:

Tobacco settlement revenue is not recognized as revenue until earned and available by governmental funds and is recorded as deferred inflows of resources. Revenue is recognized when earned in the statement of activities. (3,720,787)

Accrued interest revenue payable from the primary government does not provide current financial resources for governmental funds because the revenue is not available, whereas interest revenue is recognized when earned for the statement of activities. (750,670)

Bond proceeds and principal payments - Bond proceeds are current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Bond proceeds are increased/decreased for bond premiums/discounts when bonds are issued, whereas the premiums/discounts are amortized and expensed over the life of the bonds in the statement of activities.

Repayment of bond principal	183,620,000
Amortization of bond premiums	6,494,127
Amortization of bond discounts	(331,634)

Bond interest is recognized as an expenditure when due and payable by governmental funds, whereas it is expensed when incurred for the statement of activities. (27,202,035)

Compensated absences are recorded as expenditures in governmental funds when due and payable, whereas they are accrued and expensed when these absences are earned in the statement of activities. 5,238

Net change in net position \$ (11,168,009)

The accompanying notes are an integral part of the financial statements.

Michigan Finance Authority

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2020**

	Business-Type Activities			
	Major Funds		Non-Major Funds	Totals
	Municipal Bond Fund	Student Loan Fund		
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 1,911,013,648	\$ 119,237,199	\$ 53,839,864	\$ 2,084,090,711
Receivable from federal government	336,523	165,690	169,627	671,840
Receivable from other funds			1,500,135	1,500,135
Interest receivable	62,258,927	15,330,859	506,376	78,096,162
Investments (Note 3)	1,859,266,339	8,189,528	10,264,607	1,877,720,474
Notes receivable (Note 5)	423,208,376		25,798,000	449,006,376
Loans receivable, net (Note6)	208,152,185	53,771,399		261,923,584
Bonds receivable (Note 7)	301,795,000			301,795,000
Other current assets		6,717	620,374	627,091
Total current assets	\$ 4,766,030,998	\$ 196,701,392	\$ 92,698,983	\$ 5,055,431,373
Noncurrent assets:				
Receivable from State of Michigan (Note 4)	\$ 417,554,828	\$	\$	\$ 417,554,828
Investments (Note 3)	242,520,504	10,739,985	30,582,249	283,842,738
Notes receivable (Note 5)		18,000,000		18,000,000
Loans receivable, net (Note 6)	1,923,648,374	309,179,954		2,232,828,328
Bonds receivable (Note 7)	3,854,747,886			3,854,747,886
Total noncurrent assets	\$ 6,438,471,592	\$ 337,919,939	\$ 30,582,249	\$ 6,806,973,780
Total assets	\$ 11,204,502,590	\$ 534,621,331	\$ 123,281,232	\$ 11,862,405,153
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding (Note 1)	\$ 27,721,761	\$ 1,502,670	\$	\$ 29,224,431
Deferred outflows related to pensions (Note 13)		222,234	576,112	798,346
Deferred outflows related to OPEB (Note 14)		664,766	2,105,089	2,769,855
Total deferred outflows of resources	\$ 27,721,761	\$ 2,389,670	\$ 2,681,201	\$ 32,792,632
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	\$ 53,944,526	\$ 1,475,706	\$ 230	\$ 55,420,462
Bonds and notes payable, net (Note 8)	902,445,136	59,933,115	29,176,000	991,554,251
Interest payable	85,974,915	2,069,381	26,610	88,070,906
Unearned revenue	5,000,000			5,000,000
Arbitrage payable	3,898,696			3,898,696
Total current liabilities	\$ 1,051,263,273	\$ 63,478,202	\$ 29,202,840	\$ 1,143,944,315
Noncurrent liabilities:				
Bonds and notes payable, net (Note 8)	\$ 5,939,466,610	\$ 306,526,657	\$	\$ 6,245,993,267
Arbitrage payable		24,701,435		24,701,435
Compensated absences		129,300	428,723	558,023
Net pension liability (Note 13)		2,019,241	6,448,847	8,468,088
Net OPEB liability (Note 14)		2,747,134	8,699,253	11,446,387
Total noncurrent liabilities	\$ 5,939,466,610	\$ 336,123,767	\$ 15,576,823	\$ 6,291,167,200
Total liabilities	\$ 6,990,729,883	\$ 399,601,969	\$ 44,779,663	\$ 7,435,111,515
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding (Note 1)	\$ 1,607,575	\$	\$	\$ 1,607,575
Deferred inflows related to pensions (Note 13)		83,924	266,282	350,206
Deferred inflows related to OPEB (Note 14)		599,023	1,896,908	2,495,931
Total deferred inflows of resources	\$ 1,607,575	\$ 682,947	\$ 2,163,190	\$ 4,453,712
NET POSITION				
Restricted for (Note 1):				
State Revolving Subfund	\$ 2,849,047,862	\$	\$	\$ 2,849,047,862
Strategic Water Quality Initiatives Subfund	52,158,091			52,158,091
School Loan Revolving Subfund	1,367,370,058			1,367,370,058
Student Loan Fund		66,395,402		66,395,402
Michigan Guaranty Agency - Operating Fund			67,880,083	67,880,083
Public School Academy Facilities Fund			3,608,243	3,608,243
Unrestricted	(28,689,118)	70,330,683	7,531,254	49,172,819
Total net position	\$ 4,239,886,893	\$ 136,726,085	\$ 79,019,580	\$ 4,455,632,558

The accompanying notes are an integral part of the financial statements.

Michigan Finance Authority

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2020

	Business-Type Activities			
	Major Funds			Totals
	Municipal Bond Fund	Student Loan Fund	Non-Major Funds	
OPERATING REVENUES				
Federal revenue, net of special allowance (Notes 1 and 11)	\$ 745,293	\$ (3,194,774)	\$ 10,932,096	\$ 8,482,615
Interest revenue	255,124,249	19,222,258	504,724	274,851,231
Provision for loan losses		(274,004)		(274,004)
Investment income	49,695,744	2,019,433	2,231,218	53,946,395
Fees			1,480,492	1,480,492
Miscellaneous	921,215	2,841,685	1,279,298	5,042,198
Total operating revenues	\$ 306,486,501	\$ 20,614,598	\$ 16,427,828	\$ 343,528,927
OPERATING EXPENSES				
Arbitrage expense	\$ 3,793,229	\$ 801,592	\$	\$ 4,594,821
Interest expense	239,694,852	9,845,043	267,333	249,807,228
Debt issuance costs	3,580,542		198,990	3,779,532
Other administrative expense	5,908,883	4,786,211	12,596,069	23,291,163
Total operating expenses	\$ 252,977,506	\$ 15,432,846	\$ 13,062,392	\$ 281,472,744
Operating income	\$ 53,508,995	\$ 5,181,752	\$ 3,365,436	\$ 62,056,183
NONOPERATING REVENUES (EXPENSES)				
Operating subsidies	\$ 152,941,619	\$	\$	\$ 152,941,619
Program principal forgiveness, net	(31,611,936)			(31,611,936)
Grant expense	(46,228,363)			(46,228,363)
Total nonoperating revenues (expenses)	\$ 75,101,320	\$ 0	\$ 0	\$ 75,101,320
Income (expenses) before transfers	\$ 128,610,315	\$ 5,181,752	\$ 3,365,436	\$ 137,157,503
TRANSFERS				
Transfers from other funds	\$	\$	\$ 60,494	\$ 60,494
Transfers to other funds	(46,161)		(14,333)	(60,494)
Total transfers	\$ (46,161)	\$ 0	\$ 46,161	\$ 0
Change in net position	\$ 128,564,154	\$ 5,181,752	\$ 3,411,597	\$ 137,157,503
Net position - Beginning of fiscal year	4,111,322,739	131,544,333	75,607,983	4,318,475,055
Net position - End of fiscal year	\$ 4,239,886,893	\$ 136,726,085	\$ 79,019,580	\$ 4,455,632,558

The accompanying notes are an integral part of the financial statements.

Michigan Finance Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2020

	Business-Type Activities			
	Major Funds		Non - Major Funds	Totals
	Municipal Bond Fund	Student Loan Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Bonds, notes, and loans receivable made	\$ (1,146,804,560)	\$	\$ (28,021,000)	\$ (1,174,825,560)
Principal received on bonds, notes, and loans	2,145,704,011	69,249,797	24,372,000	2,239,325,808
Interest received on bonds, notes, and loans	373,243,221	14,515,166	498,505	388,256,892
Cash payments to employees and suppliers for goods and services	(6,839,582)	(5,989,792)	(12,375,843)	(25,205,217)
Net special allowance payment to federal government		(3,392,487)		(3,392,487)
Other operating revenues	1,611,315	3,247,628	13,818,473	18,677,416
Net cash (used in) provided by operating activities	\$ 1,366,914,405	\$ 77,630,312	\$ (1,707,865)	\$ 1,442,836,852
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from sale of bonds and notes, net	\$ 1,036,547,519	\$	\$ 29,176,000	\$ 1,065,723,519
Payment of debt issuance costs	(1,895,825)		(198,990)	(2,094,815)
Principal paid on bonds and notes	(1,414,080,061)	(77,625,000)	(24,605,900)	(1,516,310,961)
Interest paid on bonds and notes	(286,889,039)	(10,651,808)	(199,036)	(297,739,883)
Operating subsidies	152,941,619			152,941,619
Grant expense	(77,840,299)			(77,840,299)
Net future payment for debt service	(2,416,886)			(2,416,886)
Transfers	(46,161)		(14,333)	(60,494)
Net cash used in noncapital financing activities	\$ (593,679,133)	\$ (88,276,808)	\$ 4,157,741	\$ (677,798,200)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	\$ (476,728,208)	\$	\$ (12,008,389)	\$ (488,736,597)
Proceeds from sale and maturities of investments	675,449,784	81,374,566	38,980,566	795,804,916
Net proceeds from sale and maturity of money market funds	(236,421,672)		(1,909,972)	(238,331,644)
Interest and dividends on investments	47,575,838	2,436,231	1,938,857	51,950,926
Net cash provided by (used in) investing activities	\$ 9,875,742	\$ 83,810,797	\$ 27,001,062	\$ 120,687,601
Net (decrease) increase in cash	\$ 783,111,014	\$ 73,164,301	\$ 29,450,938	\$ 885,726,253
Cash and cash equivalents - Beginning of fiscal year	1,127,902,634	46,072,898	24,388,926	1,198,364,458
Cash and cash equivalents - End of fiscal year	\$ 1,911,013,648	\$ 119,237,199	\$ 53,839,864	\$ 2,084,090,711
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES				
Operating income	\$ 53,508,995	\$ 5,181,752	\$ 3,365,436	\$ 62,056,183
Adjustments to reconcile operating income to net cash from operating activities:				
Investment income	(49,695,744)	(2,019,433)	(2,231,217)	(53,946,394)
Interest expense	239,694,852	9,845,043	267,333	249,807,228
Debt issuance cost	3,580,542		198,990	3,779,532
Pension expense		47,894	151,664	199,558
OPEB expense		(43,319)	(137,176)	(180,495)
Changes in assets and liabilities:				
(Increase) decrease in other receivables	869,111,555	20,072	242,067	869,373,694
Increase (decrease) in other payables	2,864,403	1,475,187	84,038	4,423,628
(Increase) decrease in bonds, notes, and loans receivable	247,849,802	63,123,116	(3,649,000)	307,323,918
Net cash (used in) provided by operating activities	\$ 1,366,914,405	\$ 77,630,312	\$ (1,707,865)	\$ 1,442,836,852

The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUNDS – PRIVATE PURPOSE TRUST
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2020

	Michigan Guaranty Agency Federal Fund
ASSETS	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 19,856,923
Receivable from federal government	4,069,972
Total current assets	<u>\$ 23,926,895</u>
 Total assets	 <u>\$ 23,926,895</u>
LIABILITIES	
Current liabilities:	
Accounts payable and other liabilities	\$ 2,988,148
Payable to other funds	1,105,893
Student loan claims payable	3,127,768
Total current liabilities	<u>\$ 7,221,809</u>
 Total liabilities	 <u>\$ 7,221,809</u>
NET POSITION	
Net position held in trust (Notes 1b.(5) and 1d.(1))	<u><u>\$ 16,705,086</u></u>

The accompanying notes are an integral part of the financial statements.

Michigan Finance Authority

FIDUCIARY FUNDS – PRIVATE PURPOSE TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended September 30, 2020

	Michigan Guaranty Agency Federal Fund
Additions:	
Federal revenue	\$ 52,263,344
Loans recovered, repurchased, and rehabilitated	52,313,225
Investment income	117,471
Fees	1,467,730
Total additions	<u>\$ 106,161,770</u>
Deductions:	
Student loan claims paid to lenders	\$ 52,148,000
Payments to federal government	52,804,270
Other expense	282,152
Total deductions	<u>\$ 105,234,422</u>
Net increase	\$ 927,348
Net position - Beginning of fiscal year	<u>15,777,738</u>
Net position - End of fiscal year	<u><u>\$ 16,705,086</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Significant Accounting Policies

The accounting policies of the Michigan Finance Authority (the “Authority”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

a. Reporting Entity

The Authority is a discretely presented component unit of the State of Michigan that consolidated certain public finance authorities in Michigan in accordance with Executive Order No. 2010-2, effective May 30, 2010. The Authority combined the operations of 10 different public finance authorities (Michigan Forest Finance Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Municipal Bond Authority, Michigan Public Educational Facilities Authority, Michigan State Hospital Finance Authority, Michigan Tobacco Settlement Finance Authority, Michigan Underground Storage Tank Financial Assurance Authority, and State Higher Education Facilities Commission). In addition, the authorization to finance the facilities of public and private schools, formerly under the Michigan Strategic Fund, and to issue bonds and notes on behalf of the State Land Bank Fast Track Authority was transferred to the Authority.

The Authority is governed by its own Board of Directors, composed of seven members, consisting of the State Treasurer as chair and six appointees of the Governor with the advice and consent of the State Senate. The Board provides overall governing direction for the Authority. All administrative functions of the Authority, including budgeting, procurement, personnel, and management functions, are under the direction and supervision of the State Treasurer.

The Authority is not empowered to create, in any fashion, debt or liabilities on behalf of the State or to pledge the full faith and credit of the State; however, the Authority may borrow money and issue bonds and notes to provide sources of funding for loans to governmental units and school districts. In addition, the Authority may issue bonds and notes to provide sources of funding for private or nonpublic, nonprofit institutions of higher education; governmental units; and eligible healthcare providers and facilities and to undertake or continue public and capital improvements by assisting governmental units in financing and marketing municipal debt and tax-exempt bonds.

The Authority is also empowered to complement and supplement the student loan efforts of Michigan private lenders by making loans and acquiring loans made to students and their parents, thereby enhancing access to higher education. However, due to the enactment of legislation by the U.S. Congress, effective June 30, 2010, the Authority is no longer originating or acquiring loans.

The Authority's Michigan Guaranty Agency (MGA) was formed for the purpose of guaranteeing loans made to qualified students and parents of qualified students through approved financial institutions; however, due to the enactment of legislation by the U.S. Congress, effective June 30, 2010, MGA is no longer permitted to issue new loan guarantees.

The accompanying financial statements report the net financial position and the changes in net financial position and, where applicable, cash flows of the Authority. They do not purport to, and do not, fairly present the net financial position and the changes in net financial position and cash flows of the State of Michigan or its component units in conformity with GAAP. The financial statements of the Authority are included in the *State of Michigan Comprehensive Annual Financial Report* as a discretely presented component unit.

b. Authority Programs

- (1) The Authority's Tobacco Settlement Debt Service Fund (formerly known as the Michigan Tobacco Settlement Finance Authority) was authorized by the provisions of Public Act 226 of 2005, and amended by Public Act 18 of 2007. The purpose of the Act is to provide for the sale by the State and the purchase by the Authority of all or a portion of tobacco settlement assets and to authorize the issuance of bonds. During fiscal years 2006, 2007, and 2008, the Authority issued bonds secured by a pledge of a percentage of the State of Michigan's tobacco settlement revenue (TSR) and deposited the bond proceeds in the State of Michigan's General Fund, School Aid Fund, and 21st Century Jobs Trust Fund.
- (2) The Authority's Unemployment Obligation Assessment Debt Service Fund was created pursuant to Public Act 267 of 2011, to account for bonds issued for the purpose of repaying federal advances to the State's unemployment trust account. Under the Act, the bonds are secured by an unemployment obligation assessment, which is collected by the Department of Labor and Economic Opportunity (LEO) from employers and is deposited into the fund. As of September 30, 2020 the bonds under the Unemployment Obligation Assessment Debt Service Fund have been fully paid, and no current liability exist within the fund.
- (3) The Authority's Municipal Bond Fund (formerly known as the Michigan Municipal Bond Authority) was created pursuant to Public Act 227 of 1985, to provide alternative sources of funding for governmental units within the State to undertake or continue public improvements by assisting those governmental units in financing and marketing municipal debt. The Municipal Bond Fund includes the Local Municipalities Subfund, State Revolving Subfund, Strategic Water Quality Initiatives Subfund, and School Loan Revolving Subfund:
 - (a) The Local Municipalities Subfund includes the financing activities for municipalities, excluding those activities for school districts, water pollution control, and drinking water projects reported in the other subfunds.

- (b) The State Revolving Subfund, which includes the Clean Water Program and Drinking Water Program, and the Strategic Water Quality Initiatives Subfund are co-administered by the Authority and the Department of Environment, Great Lakes, and Energy. The Authority provides reduced interest loans for the construction of water pollution control and drinking water projects.
- (c) The Authority's School Loan Revolving Subfund is a self-sustaining fund and was established by Public Act 93 of 2005, to make loans to school districts to assist in paying debt service on qualified bonds issued by school districts for capital improvement projects. Any money repaid by school districts on loans is deposited back into the revolving fund for future use in funding new loans.
- (4) The Authority's Student Loan Fund (formerly known as the Michigan Higher Education Student Loan Authority) was created and organized under Public Act 222 of 1975, as amended, to complement and supplement the student loan efforts of private lenders by making loans and acquiring loans made to students and their parents, thereby enhancing access to higher education.
- (5) The Authority's Michigan Guaranty Agency (MGA) was formed for the purpose of guaranteeing loans made to qualified students and parents of qualified students through approved financial institutions. The Michigan Guaranty Agency Federal Fund, a fiduciary fund, accounts for money received from various sources and held by the Authority on behalf of the U.S. Department of Education (USDOE). With the passage of the Health Care and Education Reconciliation Act of 2010 on March 26, 2010, no new loan guarantees were permitted to be made by MGA after June 30, 2010.
- (6) The Authority's Public School Academy Facilities Fund (formerly known as the Michigan Public Educational Facilities Authority) was authorized by Executive Reorganization Order No. 2002-3 (Section 12.192 of the *Michigan Compiled Laws*) to issue bonds for the purpose of making loans through the purchase of municipal obligations in fully marketable form of a governmental unit or making loans to a nonprofit entity for the benefit of a public school academy. All Public School Academy Facilities Fund program bonds are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.

c. Other Authority Operations

- (1) The Authority's Healthcare Finance Fund (formerly known as the Michigan State Hospital Finance Authority) was organized under Public Act 38 of 1969, as amended, to facilitate the ability of eligible healthcare providers and facilities to obtain financing and refinancing for capital improvements by obtaining loans from the Authority.

The Authority issues bonds for facility equipment loans through the Healthcare Equipment Loan Program and issues revenue bonds and bonds for other capital needs of the facilities. All Healthcare Finance Fund program bonds are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.

- (2) The Authority's Higher Education Facilities Fund (formerly known as the Michigan Higher Education Facilities Authority) was organized under Public Act 295 of 1969, as amended, to issue tax-exempt bonds and lend the proceeds to private or nonpublic, nonprofit institutions of higher education within the State for capital improvements. All Higher Education Facilities Fund program bonds are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.
- (3) The Michigan Strategic Fund was organized under Public Act 270 of 1984, as amended, to issue tax-exempt bonds and lend the proceeds to private schools to finance facilities. All Michigan Strategic Fund program bonds issued through the Authority are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.

d. Basis of Presentation

The basic financial statements have been prepared in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). The Authority follows the governmental and business-type activities reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended. These requirements provide a comprehensive one-line look at the Authority's financial activities, which are presented in the following financial statements:

(1) Government-Wide Financial Statements

The Authority's statement of net position and statement of activities report information on all non-fiduciary activities of the Authority. The Michigan Guaranty Agency Federal Fund, a fiduciary fund, is excluded from the government-wide financial statements because these assets are held by the Authority on behalf of the USDOE and do not represent discretionary assets of the Authority to finance its operations. The Authority's activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by charges to external parties for goods or services. The statement of net position presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The

difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources represents the Authority's net position. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Program revenues include charges to users who directly benefit from the services, grants, and contributions that are restricted to meeting the requirements of a function. Taxes and other items not meeting the definition of program revenues are reported as general revenues.

(2) Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual funds are reported as separate columns in the fund financial statements, with non-major proprietary funds being combined into a single column.

The Authority's major governmental funds include the General Fund, Tobacco Settlement Debt Service Fund, and Unemployment Obligation Assessment Debt Service Fund. The Authority's major proprietary funds include the Municipal Bond Fund and the Student Loan Fund. The non-major proprietary funds include the Michigan Guaranty Agency - Operating Fund, Michigan Finance Authority - Operating Fund, and Public School Academy Facilities Fund. The Authority's fiduciary fund is the Michigan Guaranty Agency Federal Fund.

e. Measurement Focus and Basis of Accounting

The Authority follows the accounting rules promulgated by GASB. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

f. Major Account Classifications: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

- (1) Cash and Cash Equivalents - The Authority's cash and cash equivalents include deposits with financial institutions and equity in common cash maintained by the State Treasurer. In addition, highly liquid short-term investments with original maturities of three months or

less that are used by the Authority for cash management rather than investing activities are reported as cash equivalents.

- (2) Receivable - Tobacco Settlement Revenue (TSR) - This receivable represents the revenue earned as a result of the sale by the State of a portion of its future TSR. The receivable is recognized as revenue in the government-wide financial statements but is recognized as unavailable revenue in the governmental General Fund and the debt service fund financial statements.
- (3) Receivable From State of Michigan - The receivable recorded in the School Loan Revolving Subfund is collateralized by two different sources: school districts that previously borrowed from the School Bond Loan Fund, which is a restricted subfund of the State of Michigan's General Fund, and school districts that have borrowed through the School Loan Revolving Subfund.
- (4) Interfund Activity - During the course of operations, the Authority has activity between funds for various purposes. Residual balances outstanding at year-end are reported as due from/to other funds. These balances are reported in the fund financial statements and certain eliminations are made between funds included in business-type activities so that only the net amount is included in the business-type activity column on the government-wide financial statements. Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out and certain eliminations are made between funds included in business-type activities so that only the net amount is included in the business-type activity column on the government-wide financial statements.
- (5) Interest Receivable - This represents interest income earned but not yet received at year-end. This includes interest income earned on investments, notes, loans, and bonds with the exception of accrued interest receivable from the State of Michigan, which is classified as Receivable from State of Michigan on the financial statements.
- (6) Investments - The Authority invests funds that will not be needed for program use in the near term in investments that include money market funds, U.S. Treasury obligations, repurchase agreements, certificates of deposit and bonds. The investment objective is the preservation of capital while managing the cash flow requirements for making debt service payments to bondholders when due and paying other Authority obligations as required pertaining to rating agency, trustee, servicer charges, and administrative expenses.
- (7) Notes Receivable - The Authority issues State aid notes and loans the proceeds to school districts and public school academies to meet cash flow needs for operating purposes. The Student Loan Fund retains Student Loan Asset-Backed notes in the Operating Subfund that may be retained or sold in the future.

- (8) Loans Receivable - The Authority has outstanding loans with local units of government, public schools, and students and parents. Premiums on loans are included in loans receivable and amortized over the remaining life of the loans as a reduction to interest income.
- (9) Bonds Receivable - Bonds receivable consist of the value of bonds purchased from governmental units that includes regular principal and interest payments over the life of the bonds.
- (10) Deferred Outflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority has three items that qualify for reporting in this category in the government-wide and proprietary fund financial statements: deferred losses on debt refundings, deferred outflows related to pensions, and deferred outflows related to other postemployment benefit (OPEB) costs.

A loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The deferred outflows related to pension and other postemployment benefit costs result from the following: differences between expected and actual actuarial experience, changes in actuarial assumptions, changes in the Authority's proportion of the net pension liability and OPEB liability and differences between employer contributions and the Authority's proportionate share of contributions, and the Authority's contributions to the pension plan and OPEB plan subsequent to the measurement date.

- (11) Accounts Payable and Other Liabilities - The Authority's accounts payable relate to services provided by vendors and employees and other costs incurred but not yet paid as of year-end.
- (12) Bonds Payable - The Authority issues bonds to provide funding for its various programs. In the government-wide and proprietary fund financial statements, bond premiums and discounts are amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts are recognized in the current period. The face amount of the debt issued, premiums, and discounts are reported as other financing sources and uses.

- (13) Notes Payable - The Authority issues State aid, tax anticipation, and public school academy facilities notes that are payable by the Authority, through designated trustees,

solely from funds received from each participating public school in payment of the school's notes and from investment earnings, undisbursed note proceeds, and other funds of each participating public school retained by the trustees on a note issue-specific basis. In addition, the Authority issues private placement notes for two series of student loan trusts. The net amount of the monthly funds received from student loan borrowers and investment earnings less applicable expenses are used to pay down the Class A notes. The MFA Student Loan Operating Fund holds the Class B notes, and the Student Loan Bond/Note Fund holds the Class A notes.

- (14) Interest Payable - This represents interest expense on the Authority's outstanding bonds and notes that has been incurred but not paid at year-end.
- (15) Unearned Revenue - The Municipal Bond Fund records unearned revenue for grant awards until the Authority disburses the funds to the recipients.
- (16) Arbitrage Payable - In accordance with provisions of the Internal Revenue Code and related regulations, interest income from investments related to the Authority's tax-exempt bond issues is generally limited to the bond yield of the related bond issue. Similarly, loan income on all tax-exempt bond issues that may be retained by the Authority is limited to the bond yield plus an allowable spread. Reserves are maintained for estimated future payments of excess loan and investment income. Payments of excess loan or investment income are required to be made to the federal government on a periodic basis during the term and at final maturity of the related bond issue.
- (17) Compensated Absences - In the government-wide and proprietary fund financial statements, compensated absences are reported as liabilities. Compensated absences are accrued employee vacation, banked leave time, and sick leave time. In governmental fund financial statements, liabilities for compensated absences are accrued when they are considered due and payable and recorded in the fund only for separations or transfers that occur before year-end. The Authority is allocated a percentage of assigned employees of the Department of Treasury. The Authority allocates employee payroll costs among the various Authority operating funds as appropriate to where the employees' time resources are concentrated.
- (18) Deferred Inflows of Resources - In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Authority has three items that qualify for reporting in this category in the government-wide and proprietary fund financial statements: deferred gains on debt refundings, deferred inflows related to pensions, and deferred inflows related to other postemployment benefit costs.

A gain on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The deferred inflows related to pension and other postemployment benefit costs results from the following: differences between expected and actual actuarial experience, changes in actuarial assumptions, the net difference between projected and actual earnings on investments, changes in the Authority's proportion of the net pension liability and OPEB liability, and differences between employer contributions and the Authority's proportionate share of contributions.

The Authority also reports deferred inflows of resources in governmental fund financial statements for unavailable revenue that has not met the recognition criteria for availability under the modified accrual basis of accounting, primarily for TSR. These amounts are deferred and recognized as inflows of resources in the period that the revenue becomes available.

- (19) Net Position - The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is net position on the government-wide, proprietary fund, and fiduciary fund financial statements. Substantially all of the assets of the Authority are pledged for payment against the various bond indentures. The State Revolving Subfund, Strategic Water Quality Initiatives Subfund, and School Loan Revolving Subfund restricted net positions are for the construction of water pollution control and drinking water projects, sewage system improvements, and qualified loans to school districts. The Student Loan Fund restricted net position is pledged by bond indentures that provide funds for student loans.
- (20) Fund Balance - The difference between fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is the fund balance on the governmental fund financial statements. Fund balances for the Authority's governmental funds are classified as restricted in the fund financial statements. Restricted fund balance reflects funds that have constraints placed on the use of the resources through enabling legislation or bond covenants.

g. Major Account Classifications: Revenues, Expenses/Expenditures, and Additions/Deductions

- (1) Governmental Funds - Revenues are from two primary sources. The first revenue source is from the Authority's share of TSR received by the State of Michigan under the terms of the Master Settlement Agreement (MSA). The second revenue source is from unemployment obligation assessment revenue collections received from LEO. Expenditures are primarily debt service principal and interest on outstanding bonds.
- (2) Proprietary Funds - Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as nonoperating. The

Authority's primary operations include issuing bonds, providing and acquiring loans, purchasing local governmental units' municipal bonds, and guaranteeing qualified student loans. The operating revenues and expenses and the nonoperating revenues and expenses from the Authority's primary operations include:

- (a) Operating Revenues - The principal operating revenues of the Authority are federal grants, interest earned on loans, provision for loan losses, investment income, and charges to customers for financing services. Federal revenue is for defaulted student loan recoveries, repurchased and rehabilitated loans, and account maintenance. Fees are generated from servicing outstanding loans.
 - (b) Operating Expenses - Operating expenses of the Authority include arbitrage expense, interest expense on bonds and notes, debt issuance costs, and other administrative expenses.
 - (c) Non-operating Revenues/Expenses - Non-operating revenues includes funds provided by the State of Michigan and recognized as operating subsidies. Non-operating expenses represent the disbursement of grant funds and principal forgiveness.
- (3) Fiduciary Fund - The activity within the private-purpose trust fund and the resulting net position do not represent resources of the Authority to finance its operations, restricted or otherwise, and are held in trust by the Authority, on behalf of the USDOE. Additions include federal funds and recovery of funds from potentially defaulted loans, repurchased loans, or rehabilitated loans. Deductions include loan claims from financial institutions for loans on which the student defaulted and the unpaid loans have been acquired by MGA and payments to the federal government for recovered, repurchased, or rehabilitated loans for which the claim was already paid.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The Authority estimates the arbitrage liability on outstanding bond issues. In addition, the use of estimates by the Authority is also disclosed in Note 6d. for Student Loan Fund receivables, Note 12a. for contingencies related to the TSR, and Note 12b. for contingencies related to the Michigan Guaranty Agency Federal Fund loan loss provision.

Note 2 Deficit Net Position

The Authority reported a deficit net position of \$1,032.8 million at September 30, 2020 on the government-wide statement of net position within governmental activities for the Tobacco Settlement Debt Service Fund.

The payments to be received for the Tobacco Settlement Debt Service Fund under the MSA represent a share of anticipated future sales of tobacco products. Although the Authority expects to receive certain amounts under the MSA, the collections are not subject to accrual under GAAP due to the fact that the Authority opted to implement the deferral provision of GASB Statement No. 48, paragraph 15 prospectively as allowed by the standard.

Note 3 Deposits and Investments

The Authority reports investments at fair value based on quoted market prices, consistent with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, except for commercial paper, U.S. Treasury notes, and U.S. Treasury bills, which are all reported at amortized cost if purchased within one year of maturity, and repurchase agreements, which are reported using cost-based measures because they are nonparticipating interest-earning investment contracts.

Deposits and investments held by the Authority at September 30, 2020 were as follows:

	Governmental Activities Governmental Funds	Business-Type Activities Proprietary Funds	Fiduciary Funds	Total
Deposits	\$	\$ 1,952,011,124	\$ 25,000	\$ 1,952,036,124
Investments	\$ 101,665,421	\$ 2,293,358,002	\$ 18,816,254	\$ 2,413,839,677

a. Authorized Investments

State statutes, board resolutions, and bond indentures authorize allowable investments for the various funds. The permissible investments for the various funds include:

(1) Governmental Activities

(a) General Fund

The Authority is authorized by State statute to invest any money, at the Authority's discretion, in any obligations it determines to be proper.

(b) Tobacco Settlement Debt Service Fund

The Authority is authorized by State statute to invest any money, at the Authority's discretion, in any obligations it determines to be proper. The Authority's bond indenture restricts the Authority to investments rated "A-1" or higher by Standard & Poor's (S&P), "P-1" by Moody's Investors Service, Inc. (Moody's), and "F1" by Fitch Ratings (Fitch).

(c) Unemployment Obligation Assessment Debt Service Fund

The Authority is authorized by State statute to invest any money, at the Authority's discretion, in any obligations it determines to be proper. In addition, the Master Bond Indenture specifies eligible investments.

(2) Business-Type Activities

(a) Municipal Bond Fund

The Authority is authorized by State statute to direct and manage its investments within the provisions of law applicable to State funds or resolutions authorizing bonds or notes. In addition, the Master Bond and Note Indentures for the various programs within the Municipal Bond Fund further define eligible investments.

(b) Student Loan Fund

The Authority is authorized by State statute to invest in obligations of, or guaranteed by, the U.S. government or the State of Michigan; U.S. government or federal agency obligation repurchase agreements; mutual funds; common trust funds; bankers' acceptances; certificates of deposit; savings and deposit accounts; and commercial paper.

(c) Michigan Guaranty Agency - Operating Fund

Section 422B(b) of the Higher Education Act permits the Authority to invest Operating Fund funds at its own discretion in accordance with prudent investor standards.

(d) Michigan Finance Authority - Operating Fund

Cash and investments applicable to operations from the Local Municipalities Subfund, Public School Academy Facilities Fund, Healthcare Finance Fund, and Higher Education Facilities Fund are consolidated into the Michigan Finance Authority - Operating Fund. State statutes for these funds authorize the allowable investments. The authorized investments for the Local Municipalities Subfund are identified under the Municipal Bond Fund in part a.(2)(a) of this note, and the authorized investments for the Public School Academy Facilities Fund are identified in part a.(2)(e) of this note. The authorized investments for the Healthcare Finance Fund are obligations of, or guaranteed by, the U.S. government or the State of Michigan; certificates of deposit; commercial paper; U.S. government repurchase agreements; mutual funds; bankers' acceptances; and other obligations approved by the State Treasurer. The authorized investments for the Higher Education Facilities Fund are obligations of, or guaranteed by, the U.S. government or the State of Michigan and certificates of deposit.

(e) Public School Academy Facilities Fund

The Authority is authorized by State statute to invest within the provisions of law applicable to State funds or resolutions authorizing bonds or notes. In addition, the Master Bond and Note Indentures may further define eligible investments.

(3) Fiduciary Fund - Michigan Guaranty Agency Federal Fund

Section 422A(b) of the Higher Education Act permits the Authority to invest in obligations issued or guaranteed by the United States or a state or in other similarly low-risk securities selected by the guaranty agency with the approval of the Secretary of Education.

b. Cash and Investment Risks

The Authority's cash and investments are subject to several types of risk:

- (1) Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority's deposits may not be recovered. The Authority had \$2.0 billion in deposits at September 30, 2020. Of this balance, \$1.9 billion was invested in the State of Michigan's common cash pool and \$39.0 million was the carrying value of cash in financial institutions.

The common cash pool is managed by the State Treasurer and is authorized to invest surplus funds in depository accounts at financial institutions; bonds, notes, and other U.S. government debt; prime commercial paper; certificates of deposit; and special State investment programs. The State Treasurer's policy for common cash depository accounts requires financial institutions to secure State funds with collateral, to be organized under federal or State law, and to maintain an office in Michigan. The policy also restricts deposits to a maximum of 50% of the financial institution's net worth. The State Treasurer's policy requires prime commercial paper to be rated "A-1" by S&P or "P-1" by Moody's or higher at purchase and places requirements and restrictions on the borrower.

The Authority does not have a policy for controlling custodial credit risk. Of the \$39.0 million deposited in financial institutions, \$0.4 million was insured by the Federal Depository Insurance Corporation and \$38.6 million was uninsured and uncollateralized and, therefore, exposed to custodial credit risk at September 30, 2020.

- (2) Custodial Credit Risk for Investments - Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. The Authority does not have a policy for controlling custodial credit risk. At September 30, 2020, there was no exposure to custodial credit risk for investments.

- (3) Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority does not have a policy for controlling interest rate risk. The Authority's investment objective is the preservation of capital while managing the cash flow requirements for making debt service payments to bondholders and paying other obligations as required.

Investment timing for managing cash flow requirements is relative to the rates in securities at the time each investment decision is required to be made. To the extent possible, the Authority considers laddering investment maturities to meet cash flow requirements. Other than to keep all funds not required for immediate use in cash, there is no practical

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method to mitigate interest rate risk to hedge the rise of interest rates. Also, the Authority makes investments in accordance with applicable statutory and bond indenture provisions.

At September 30, 2020, the average maturities of investments were as follows:

Type of Investment	Fair Value	Investment Maturities			
		Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
Governmental Activities					
Government money market funds	\$ 71,735,139	\$ 71,735,139	\$ -	\$ -	\$ -
Qualified Municipal GO Bonds	29,930,282	10,666,622	6,804,313	12,459,347	-
Total governmental activities	\$ 101,665,421	\$ 82,401,761	\$ 6,804,313	\$ 12,459,347	\$ -
Business-Type Activities					
Government money market funds	\$ 1,593,332,366	\$ 1,593,332,366	\$ -	\$ -	\$ -
Repurchase Agreement	321,910,759	133,759,017	-	188,151,742	-
U.S. Treasury State & Local Govt Series	5,940,854	5,940,854	-	-	-
U.S. Treasury Notes	234,595,958	234,595,958	-	-	-
U.S. Government Agency	79,367,743	27,693,614	51,674,129	-	-
State of Michigan GO Bonds	2,694,633	2,694,633	-	-	-
Qualified Municipal GO Bonds	50,802,689	10,972,455	36,605,261	3,224,973	-
Certificates of Deposit	4,713,000	3,221,000	1,492,000	-	-
Total business-type activities	\$ 2,293,358,002	\$ 2,012,209,897	\$ 89,771,390	\$ 191,376,715	\$ -
Fiduciary Activities					
Government money market funds	\$ 18,816,254	\$ 18,816,254	\$ -	\$ -	\$ -

- (4) **Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policy limits funds to \$150 million with any single issuer, except when the investments are collateralized; requires investments to be in the top three rating categories provided by S&P, Moody's, or Fitch; requires Guaranteed Investment Contracts to have minimum levels of collateralization which are in compliance with bond indentures and underlying statutes; requires minimum levels of 102% of specific collateral for repurchase agreements; and allows exceptions to these requirements only with executive management approval.

At September 30, 2020, the credit quality ratings of debt securities, excluding U.S. treasury state and local government series securities of \$5.9 million and certificates of deposits of \$4.7 million that are not considered to have credit risk, were as follows:

Investment	Fair Value	Rating	Rating Organization
Governmental Activities			
Governmental Money Market Funds	\$ 71,735,139	AAAm	S&P
Qualified Municipal GO Bonds	3,404,141	A+	S&P
Qualified Municipal GO Bonds	2,682,120	Aa1	Moody's
Qualified Municipal GO Bonds	23,844,021	AA	S&P
Total Governmental Activities	\$ 101,665,421		

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Business-Type Activities

Governmental Money Market Funds	\$ 1,593,332,366	AAAm	S&P
Repurchase Agreement	77,872,479	A+	S&P
Repurchase Agreement	133,759,017	A	S&P
Repurchase Agreement	49,554,564	AA	S&P
Repurchase Agreement	60,724,699	A-	S&P
U.S. Treasury Notes	234,595,958	Aaa	Moody's
State of Michigan GO Bonds	2,694,633	AA	S&P
U.S Government Agency	79,367,743	AA+	S&P
Qualified Municipal GO Bonds	2,043,292	AA+	S&P
Qualified Municipal GO Bonds	35,502,245	AA	S&P
Qualified Municipal GO Bonds	807,984	AAA	S&P
Qualified Municipal GO Bonds	12,449,168	Aa1	Moody's
Total Business-Type Activities	<u>\$ 2,282,704,148</u>		

Fiduciary Activities

Government Money Markets	\$ 18,816,254	AAAm	S&P
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- (5) Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investments with a single issuer. The Authority's policy limits funds to \$150 million with any single issuer, except when the investments are collateralized; requires Guaranteed Investment Contracts to have minimum levels of collateralization which are in compliance with bond indentures and underlying statutes; requires investments to be in the top three rating categories provided by S&P, Moody's, or Fitch; requires minimum levels of 102% of specific collateral for repurchase agreements; and allows exceptions to these requirements only with executive management approval.

At September 30, 2020, the Authority had investments of 5% or more of the Authority's total investments by fund activity type in the following issuers, excluding investments issued or explicitly guaranteed by the U.S. government and mutual funds, which are excluded from this requirement by GASB:

Name of Issuer	Fair Value	Percent of Investments
<u>Governmental Activities</u>		
Qualified Municipal GO Bonds – Detroit		
City School District	\$ 9,055,205	9%
<u>Business-Type Activities</u>		
Repurchase Agreement – Societe		
Generale	\$ 133,759,017	6%

- (6) Fair Value Measurement - The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Authority has the following recurring fair value measurements as of September 30, 2020:

	Fair Value	Level 1	Level 2
<u>Investments by fair value level:</u>			
Qualified Municipal GO bonds	\$ 80,732,971	\$ 5,464,528	\$ 75,268,443
State of Michigan GO Bonds	2,694,633		2,694,633
U.S. Government Agency	79,367,743		79,367,743

Qualified municipal GO bonds classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of qualified municipal GO bonds, State of Michigan GO bonds, and certain U.S. government agency securities at September 30, 2020 was determined primarily based on Level 2 inputs. The Authority estimates the fair value of these investments using the matrix pricing technique and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The Authority holds certain governmental money market fund investments that are measured at the net asset value (NAV) per share (or its equivalent). There are no limitations or restrictions on participant withdrawals for the money market funds that are recorded at amortized cost.

Note 4 Receivable From State of Michigan

The receivable from the State of Michigan of \$417.6 million consisted of the following at September 30, 2020:

a. Municipal Bond Fund - School Loan Revolving Subfund

The receivable from the State of Michigan recorded in the Municipal Bond Fund - School Loan Revolving Subfund is collateralized by loans to school districts that previously borrowed from the School Bond Loan Fund, which is a restricted subfund of the State of Michigan's General Fund, and school districts that have borrowed through the School Loan Revolving Subfund.

The receivable to pay for the corresponding bonds payable disclosed in Note 8 was \$417.6 million at September 30, 2020.

Note 5 Notes Receivable

The notes receivable of \$467.0 million consisted of the following at September 30, 2020:

a. Municipal Bond Fund

The Authority originated loans to public schools to meet the schools' immediate cash flow needs for spending purposes from the proceeds of its State aid and tax anticipation notes. Collections of the receivable for the notes outstanding are used to pay for the corresponding notes payable disclosed in Note 8. The balance of notes receivable was \$423.2 million at September 30, 2020. The notes receivable bore interest ranging from 0.25% to 4.73% during fiscal year 2020.

b. Student Loan Fund

The Authority retained the Class B Notes from the Student Loan Asset-Backed Notes, Series 2015-1, Class A and Class B Taxable LIBOR Floating Rate Notes and Student Loan Asset-Backed Notes, Series 2016-1, Class A-1, Class A-2, and Class B LIBOR Floating Rate Notes. The balance of notes receivable was reported as \$18 million at September 30, 2020. The notes receivable bore variable interest rates that reset monthly and are equal to the one-month LIBOR rate plus 1.50%.

c. Non-Major Fund - Public School Academy Facilities Fund

The Authority originated loans to public school academies to meet the academies' immediate cash flow needs for operating purposes from the proceeds of its public school academy facilities notes. Collections of the receivable for the notes outstanding are used to pay for the corresponding notes payable disclosed in Note 8. The balance of notes receivable was \$25.8 million at September 30, 2020. The notes receivable bore interest ranging from 3.45% to 4.45% during fiscal year 2020.

Note 6 Loans Receivable, Net

Net loans receivable of \$2.5 billion consisted of the following at September 30, 2020:

a. Municipal Bond Fund - Local Municipalities Subfund

The loans receivable consists of \$10.3 million from Ypsilanti Community Schools for fiscal year 2020. Collections of the receivable for the loans outstanding are used to pay for the corresponding bonds payable disclosed in Note 8. Scheduled repayments of \$1.3 million are expected to be collected during fiscal year 2021.

b. Municipal Bond Fund - State Revolving Subfund

The State Revolving Subfund has made commitments to municipalities to loan funds for construction of publicly owned water pollution control facilities and drinking water projects. These loans are primarily secured by system revenues of local municipalities, limited tax

general obligation pledges, revenue-sharing pledge agreements, unlimited tax general obligations, and/or reserve funds. As of September 30, 2020, amounts committed for the Clean Water Program were \$3.8 billion and loans of \$1.7 billion were outstanding. As of September 30, 2020, amounts committed for the Drinking Water Program were \$844.9 million and loans of \$364.8 million were outstanding. Scheduled repayments of \$205.1 million are expected to be collected during fiscal year 2021.

c. Municipal Bond Fund - Strategic Water Quality Initiatives Subfund

The Strategic Water Quality Initiatives Subfund has made commitments to municipalities to loan funds for purposes, such as footing drain disconnects and septic system upgrades that are generally not eligible to be financed through the State Revolving Subfund. These loans are primarily secured by local municipalities' limited or unlimited tax general obligations or system revenue, and some are additionally secured by revenue-sharing pledge agreements and/or reserve funds. Amounts committed were \$39.1 million as of September 30, 2020, and receivables outstanding were \$27.3 million. Scheduled repayments of \$1.8 million are expected to be collected during fiscal year 2021.

d. Student Loan Fund

Loans include educational loans made under the Federal Family Education Loan (FFEL) Program to students (Stafford Loans), to parents of dependent undergraduates (PLUS Loans), and to borrowers consolidating certain student loans (Consolidation Loans). These loans are federally insured. The terms of federal loans, which vary, generally provide for repayment in monthly installments of principal and interest over a period of up to 10 years. Loans also include education loans made under the Authority's MI-LOAN Program, which are not federally insured. The following are descriptions of the loans and adjustments that comprise the net loans receivable of \$363.0 million:

- (1) Stafford Loans - Stafford Loans may be subsidized or unsubsidized. Interest is paid on subsidized Stafford Loans during the enrolled and grace periods by the USDOE, whereas borrowers must either pay interest from the time of the loan or capitalize the interest until repayment begins on unsubsidized Stafford Loans.

Stafford Loans may bear fixed or variable rate interest with fixed rates ranging primarily from 5.6% to 6.8% and variable rates based on the bond equivalent rate for the 91-day U.S. Treasury bill, plus a factor of up to 3.25% depending on the status and/or date of disbursement of the loan.

- (2) PLUS Loans - The PLUS interest rate has been a fixed rate of 8.5% since July 1, 2006. Prior to July 1, 2006, interest rates on the PLUS Loans varied annually each July 1, based on the bond equivalent rate for the 91-day U.S. Treasury bill or one-year constant maturity, plus a factor of either 3.25% or 3.10%, depending on when borrowers obtained their first PLUS Loans.
- (3) Consolidation Loans - Interest rates on Consolidation Loans are fixed, calculated by rounding the weighted average of the interest rates on the loans consolidated to the

nearest 1/8 of 1%, or variable based on the 91-day U.S. Treasury bill, plus 3.10%, not to exceed 8.25%.

- (4) MI-LOAN Program Loans - Under the Authority's MI-LOAN Program, loans are made to assist students in meeting the costs of education at a degree-granting college or university located in Michigan. Borrowers or eligible co-signers must meet standards of credit established by the Authority. As of September 30, 2020, the MI-LOAN Program balance outstanding was \$59.1 million. The MI-LOAN Program's fixed interest rate loans ranged from 5.95% to 9.50%. The MI-LOAN Program's variable interest rate was 2.98% at September 30, 2020. Repayment begins within 60 days of the disbursement and extends over a maximum period of 25 years.
- (5) Allowance - The Authority's Stafford Loans, PLUS Loans, and Consolidation Loans are guaranteed primarily by the Authority's Michigan Guaranty Agency and by Great Lakes Higher Education Guaranty Corporation and reinsured by the USDOE. Historically, the Authority has recorded an allowance to estimate the unguaranteed portion of future loan defaults. As of September 30, 2020, the Authority's recorded allowance for FFEL Program loans was \$0.3 million.

MI-LOAN Program loans are not guaranteed or reinsured; therefore, the Authority estimates future loan defaults and records an allowance for the estimate. As of September 30, 2020, the Authority's recorded allowance for the MI-LOAN Program loans was \$1.1 million.

- (6) Status of Student Loan Programs - On February 15, 2008, origination of new MI-LOAN Program loans was suspended. Also, the U.S. Congress enacted legislation in the form of the Health Care and Education Reconciliation Act of 2010 on March 30, 2010 that eliminated the authorization to originate FFEL Program loans after June 30, 2010.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The Act provided student loan relief to borrowers, initially, from March 13, 2020 to September 30, 2020. The September 30, 2020 date has since been extended, currently to January 31, 2021. The Authority allowed a non-capitalizing disaster forbearance to borrowers requesting it, for a period not to exceed 90 days, from March 13, 2020 to September 30, 2020 for FFELP accounts and March 13, 2020 to June 11, 2020 for MILOAN accounts. Interest continued to accrue during this period. Although the CARES Act date has been extended, the Authority is not currently providing a forbearance option due to COVID.

Note 7 Bonds Receivable

Bonds receivable consist of receivables from governmental units to pay corresponding Authority bonds as disclosed in Note 8. During the fiscal year, the Authority purchased local governmental units' municipal bonds for \$81.1 million from the proceeds of the Authority's bond issuance. The annual requirements for governmental units to repay their bonds to the Authority as of September 30, 2020, including principal and interest, were as follows:

Fiscal Years Ending	Principal	Interest	Total
2021	\$ 301,795,000	\$ 175,688,753	\$ 477,483,753
2022	297,415,000	172,463,220	469,878,220
2023	275,970,000	159,483,867	435,453,867
2024	242,075,000	148,588,151	390,663,151
2025	235,095,000	136,778,564	371,873,564
2026 – 2030	911,815,000	544,236,757	1,456,051,757
2031 – 2035	953,725,000	331,337,483	1,285,062,483
2036 – 2040	367,970,000	143,736,272	511,706,272
2041 – 2045	346,660,000	54,968,366	401,628,366
2046 – 2050	68,600,000	5,622,400	74,222,400
Total unadjusted bonds and interest	\$ 4,001,120,000	\$ 1,872,903,833	\$ 5,874,023,833
Unamortized premium/discounts	155,422,886		155,422,886
Total	<u>\$ 4,156,542,886</u>	<u>\$ 1,872,903,833</u>	<u>\$ 6,029,446,719</u>

Note 8 Bonds and Notes Payable, Net

- a. **Net bonds and notes payable** of \$8,407.3 million consisted of the following at September 30, 2020:

Series	Date of Issue	Original Issue	Interest Rate Percentage (a)	Maturity Dates	Amounts Outstanding as of September 30, 2020
<u>Tobacco Settlement Debt Service Fund</u>					
Tobacco Settlement Asset-Backed Bonds:					
Series 2006A - Serial	May 17, 2006	\$ 363,115,000	7.31%	June 1, 2034	\$ 261,540,000
Series 2007A - Serial	August 20, 2007	\$ 480,125,000	5.125% to 6%	June 1, 2047	446,990,000
Series 2007B - Capital appreciation (b)	August 20, 2007	\$ 35,649,948	7.25%	June 1, 2052	865,290,000
Series 2007C - Capital appreciation (b)	August 20, 2007	\$ 7,216,749	7.5%	June 1, 2052	195,100,000
Series 2008A - Serial	July 7, 2008	\$ 114,860,000	6.875%	June 1, 2024	114,860,000
Series 2008B - Capital appreciation (b)	July 7, 2008	\$ 29,874,650	8.5%	June 1, 2046	700,625,000
Series 2008C - Capital appreciation (b)	July 7, 2008	\$ 57,673,814	8.875%	June 1, 2058	4,395,870,000
Total Tobacco Settlement Asset-Backed Bonds					\$ 6,980,275,000
<u>Municipal Bond Fund - Local Municipalities Subfund</u>					
Municipal State Aid and Tax Anticipation Notes:					
* 2020A TAN	January 23, 2020	\$ 15,500,000	Variable 2.16% (c)	October 6, 2020	6,033,000
2020A-1	August 20, 2020	\$ 172,993,000	0.70%	July 20, 2021	172,993,000
2020A-2	August 20, 2020	\$ 236,325,000	4.00%	August 20, 2021	236,525,000
Local Government Loan Program Revenue Bonds:					
Series 1997C	October 30, 1997	\$ 16,335,000	5.375%	November 1, 2020	65,000
Series 2000B	November 28, 2000	\$ 5,905,000	5.5%	November 1, 2020	255,000
Series 2002B	November 1, 2002	\$ 16,790,000	4.5% to 4.625%	May 1, 2022	285,000
Series 2003B	September 30, 2003	\$ 19,665,000	4.5% to 6%	November 1, 2023	2,545,000
Series 2004A	February 18, 2004	\$ 41,155,000	4.4% to 6%	May 1, 2034	4,950,000
Series 2004B	May 13, 2004	\$ 26,830,000	5%	November 1, 2024	70,000
Series 2007A	March 29, 2007	\$ 21,875,000	4% to 4.25%	May 1, 2029	1,940,000
Series 2007B	August 3, 2007	\$ 98,435,000	5% to 5.25%	December 1, 2027	8,200,000
Series 2007C	December 19, 2007	\$ 31,080,000	4.5% to 5%	May 1, 2031	18,380,000
Series 2009B	March 31, 2009	\$ 34,020,000	5.375%	November 1, 2024	865,000
Series 2009C	September 23, 2009	\$ 45,795,000	4.5% to 4.75%	May 1, 2024	1,060,000
Series 2010A	March 31, 2010	\$ 27,005,000	4.3% to 5%	May 1, 2022	2,560,000
Series 2010B	May 18, 2010	\$ 38,245,000	6.1% to 6.7%	May 1, 2027	18,785,000
Series 2010D	September 30, 2010	\$ 14,290,000	3.75% to 5%	June 1, 2030	3,080,000
Series 2010E	December 16, 2010	\$ 100,000,000	7.188% to 8.369%	November 1, 2035	86,815,000
Series 2011A	March 3, 2011	\$ 31,565,000	5.8% to 6.375%	November 1, 2025	8,800,000
Series 2011C	May 3, 2011	\$ 7,710,000	6.2% to 6.5%	May 1, 2026	4,570,000
Series 2011E	September 20, 2011	\$ 1,775,000	4% to 4.75%	May 1, 2026	835,000
Series 2011F	October 28, 2011	\$ 14,960,000	4.125% to 5.25%	October 1, 2041	13,305,000
Series 2012B	August 8, 2012	\$ 18,880,000	3% to 4%	November 1, 2028	4,055,000
Series 2012D	October 18, 2012	\$ 7,950,000	3.15% to 4%	May 1, 2032	5,570,000
Series 2013A	May 14, 2013	\$ 9,370,000	2.25% to 4%	May 1, 2033	6,670,000
Series 2013C	October 2, 2013	\$ 30,000,000	4% to 5.25%	October 1, 2043	28,200,000
Series 2014B	July 2, 2014	\$ 184,960,000	5%	July 1, 2044	165,675,000
Series 2014C	September 4, 2014	\$ 935,860,000	5%	July 1, 2044	748,045,000
Series 2014D	September 4, 2014	\$ 854,850,000	5%	July 1, 2037	608,450,000
* Series 2014F	December 10, 2014	\$ 275,000,000	3.4% to 4.6%	October 1, 2029	205,610,000
Series 2014H	October 30, 2014	\$ 295,350,000	5%	October 1, 2039	237,810,000
Series 2015A	March 12, 2015	\$ 192,580,000	3.25% to 5%	May 1, 2025	71,200,000
* Series 2015B	June 29, 2016	\$ 16,750,000	3.16% to 4.8%	May 1, 2045	16,750,000
Series 2015C	December 15, 2015	\$ 197,660,000	5%	July 1, 2035	197,160,000
Series 2015D	December 15, 2015	\$ 126,665,000	5%	July 1, 2035	119,555,000
Series 2015E	November 30, 2015	\$ 4,955,000	3% to 4%	November 1, 2032	4,060,000
Series 2016A	March 29, 2016	\$ 14,470,000	5%	May 1, 2029	10,990,000
Series 2016B	March 26, 2016	\$ 5,225,000	2.42% to 2.61%	May 1, 2022	2,160,000
Series 2016C	August 11, 2016	\$ 606,180,000	1.941% to 5%	November 1, 2035	460,550,000
* Series 2016D	September 29, 2016	\$ 226,380,000	3.9% to 4.32%	March 31, 2023	90,885,000
* Series 2017C	September 14, 2017	\$ 291,755,000	2.91%	May 1, 2024	191,360,000
* Series 2018A	April 25, 2018	\$ 10,500,000	5.85%	May 1, 2030	10,500,000
Series 2018B	August 8, 2018	\$ 3,005,000	3% to 5%	May 1, 2039	2,940,000
* Series 2018C	November 1, 2018	\$ 2,245,000	5.5%	November 1, 2028	2,060,000
Series 2018D	December 13, 2018	\$ 175,985,000	4.92% to 5.02%	November 1, 2043	175,985,000
Series 2019A	July 9, 2019	\$ 6,475,000	5%	November 1, 2032	6,075,000
Series 2019B	July 9, 2019	\$ 6,795,000	2.36% to 3.38%	November 1, 2035	6,445,000
Series 2020A	June 29, 2020	\$ 30,620,000	1.345% to 3.557%	June 15, 2045	30,620,000
Series 2020B	August 11, 2020	\$ 12,000,000	4% to 5%	June 15, 2040	12,000,000

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Series	Date of Issue	Original Issue	Interest Rate Percentage (a)	Maturity Dates	Amounts Outstanding as of September 30, 2020
School Loan Revenue Bonds:					
Series 2013	August 20, 2013	\$ 18,615,000	4% to 5%	August 1, 2026	10,225,000
State Aid Revenue Bonds:					
Series 2018	August 16, 2018	\$ 288,625,000	4% to 5%	November 1, 2048	288,625,000
Transportation Revenue Bonds:					
* Series 2017A	November 16, 2017	\$ 123,500,000	2.38% to 4.242%	April 1, 2032	123,500,000
Total Municipal Bond Fund - Local Municipalities Subfund					\$ 4,436,646,000
Municipal Bond Fund - State Revolving Subfund:					
Series 2004, Clean Water Revolving Fund Revenue Bonds	April 21, 2004	\$ 286,605,000	4.75% to 5%	October 1, 2026	8,220,000
Series 2004, Drinking Water Revolving Fund Revenue Bonds	April 21, 2004	\$ 67,895,000	5%	October 1, 2026	2,115,000
Series 2005, Clean Water Revolving Fund Revenue Bonds	July 26, 2005	\$ 103,630,000	4.75% to 5%	October 1, 2027	4,690,000
Series 2005, Drinking Water Revolving Fund Revenue Bonds	July 26, 2005	\$ 79,480,000	4.75% to 5%	October 1, 2027	3,100,000
Series 2006, Clean Water Revolving Fund Revenue Bonds	November 2, 2006	\$ 150,000,000	5%	October 1, 2026	8,315,000
Series 2010, Clean Water Revolving Fund Revenue Bonds	March 18, 2010	\$ 178,740,000	4% to 5%	October 1, 2020	8,395,000
Series 2010, Clean Water Revolving Fund Refunding Bonds	March 18, 2010	\$ 67,420,000	5%	October 1, 2020	3,765,000
Series 2011, Clean Water Revolving Fund Refunding Bonds	November 3, 2011	\$ 225,860,000	5%	October 1, 2021	42,905,000
Series 2011, Drinking Water Revolving Fund Refunding Bonds	November 3, 2011	\$ 56,860,000	3% to 5%	October 1, 2024	21,415,000
Series 2012, Clean Water Revolving Fund Revenue Bonds	April 26, 2012	\$ 131,410,000	4% to 5%	October 1, 2022	18,830,000
Series 2012, Clean Water Revolving Fund Refunding Bonds	July 10, 2012	\$ 89,595,000	5%	October 1, 2021	28,190,000
Series 2012, Drinking Water Revolving Fund Refunding Bonds	July 10, 2012	\$ 16,755,000	5%	October 1, 2020	1,845,000
Series 2013, Clean Water Revolving Fund Refunding Bonds	February 20, 2013	\$ 137,745,000	5%	October 1, 2026	80,110,000
Series 2013, Drinking Water Revolving Fund Refunding Bonds	February 20, 2013	\$ 31,110,000	5%	October 1, 2026	17,905,000
* Series 2014A, Clean Water Revolving Fund Refunding Bonds	October 9, 2014	\$ 61,585,000	3%	October 1, 2027	40,875,000
* Series 2014A, Drinking Water Revolving Fund Refunding Bonds	October 9, 2014	\$ 42,655,000	3%	October 1, 2027	28,390,000
* Series 2014B, Clean Water Revolving Fund Refunding Bonds	October 23, 2014	\$ 40,020,000	2%	October 1, 2020	1,130,000
* Series 2015A, Clean Water Revolving Fund Refunding Bonds	June 11, 2015	\$ 77,475,000	2%	October 1, 2028	57,600,000
* Series 2015B, Clean Water Revolving Fund Refunding Bonds	December 21, 2015	\$ 112,025,000	2%	October 1, 2028	120,750,000
Series 2016B, Clean Water Revolving Fund Revenue Bonds	November 17, 2016	\$ 104,475,000	2% to 5%	October 1, 2036	95,840,000
Series 2016B, Clean Water Revolving Fund Refunding Bonds	November 17, 2016	\$ 188,640,000	2% to 5%	October 1, 2030	188,305,000
* Series 2017A, Clean Water Revolving Fund Refunding Bonds	December 19, 2017	\$ 145,600,000	2.2% to 2.58%	October 1, 2031	139,070,000
Series 2018B, Clean Water Revolving Fund Revenue Refunding Bonds	December 19, 2018	\$ 138,050,000	4% to 5%	October 1, 2039	138,050,000
* Series 2020ABAN, Clean Water Revolving Fund	June 11, 2020	\$ 500,000	1.335% to 1.44% (d)	June 1, 2021	500,000
* Series 2020ABAN, Drinking Water Revolving Fund	June 11, 2020	\$ 16,100,000	1.335% to 1.44% (d)	June 1, 2021	16,100,000
Total Municipal Bond Fund - State Revolving Subfund					\$ 1,076,410,000
Municipal Bond Fund - School Loan Revolving Subfund:					
Series 2010D, Federally Taxable Bonds SLRF Revenue Bonds	December 15, 2010	\$ 85,000,000	5.746% to 6.496%	September 1, 2025	72,000,000
Series 2015A, Federally Taxable Bonds SLRF Revenue Bonds	April 22, 2015	\$ 200,000,000	3.396% to 4.345%	September 1, 2045	200,000,000
Series 2019A1, Federally Taxable Bonds SLRF Revenue Bonds	April 16, 2019	\$ 150,000,000	2.862%	September 1, 2022	150,000,000
Series 2019A2, Federally Taxable Bonds SLRF Revenue Bonds	April 16, 2019	\$ 150,000,000	2.988%	September 1, 2024	150,000,000
Series 2019B1, Federally Taxable Bonds SLRF Revenue Bonds	November 20, 2019	\$ 100,390,000	2.366%	September 1, 2023	100,390,000
Series 2019B2, Federally Taxable Bonds SLRF Revenue Bonds	November 20, 2019	\$ 100,390,000	2.671%	September 1, 2026	100,390,000
Series 2019C, Federally Taxable Bonds SLRF Revenue Bonds	December 4, 2019	\$ 150,000,000	Variable 0.16% (e)	September 1, 2049	150,000,000
Series 2019D, Federally Taxable Bonds SLRF Revenue Bonds	December 4, 2019	\$ 150,000,000	Variable 0.15% (e)	September 1, 2049	150,000,000
Total Municipal Bond Fund - School Loan Revolving Subfund					\$ 1,072,780,000
Student Loan Fund					
Student Loan Bonds:					
* Series 22-B, Student Loan Revenue Refunding Bonds	December 15, 2017	\$ 73,000,000	Variable 2.646% (f)	September 1, 2042	29,146,000
Series 25-A, Student Loan Revenue Refunding Bonds	December 4, 2014	\$ 168,000,000	3.5% to 5%	November 1, 2031	111,000,000
Student Loan Notes:					
Series 2015-1 (26-A), Student Loan Asset-Backed Notes-Class A	March 24, 2015	\$ 302,600,000	Variable 2.7935% (g)	April 29, 2030	106,637,000
* Series 2015-1 (26-A), Student Loan Asset-Backed Notes-Class B	March 24, 2015	\$ 9,000,000	Variable 3.5435% (h)	April 28, 2033	9,000,000
* Series 2016-1 (27-A), Student Loan Asset-Backed Notes-Class A	January 15, 2016	\$ 273,000,000	Variable 2.7253% (i)	January 2, 2029	101,260,000
* Series 2016-1 (27-A), Student Loan Asset-Backed Notes-Class B	January 15, 2016	\$ 9,000,000	Variable 3.6003% (h)	January 3, 2034	9,000,000
Total Student Loan Fund					\$ 366,043,000
Non-Major Funds					
Public School Academy Facilities Notes:					
* Series 2020B	September 3, 2020	\$ 29,176,000	2.15%	August 20, 2021	\$ 29,176,000

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* Direct placement bonds and notes.

- (a) Interest rates are reported as either ranges for serial and term bonds and notes for outstanding amounts as of September 30, 2020 or the September 30, 2020 effective rates for variable rate bonds and notes.
- (b) Capital appreciation bonds are reported at ultimate maturity value.
- (c) 2020A TAN interest rate changes monthly and is equal to the sum of Thirty Day LIBOR rate plus 2.60% per annum, multiplied by 79.00%.
- (d) 2020A interest rate on the outstanding borrowing is determined as follows: At the option of the MFA, the one-month LIBOR Rate or the Daily LIBOR Rate multiplied by 79% plus 94 basis points. The interest is calculated, accrued monthly, and paid at the earlier of the maturity date or the payoff of the loan.
- (e) Interest rate changes every seven days based on a market rate determined by the assigned remarketing agent.
- (f) 22-B interest rate changes monthly based on 75% of the one-month LIBOR floating rate plus 107 basis points.
- (g) 2015-1 Class A interest rate changes monthly based on the one-month LIBOR floating rate plus 75 basis points.
- (h) 2015-1 and 2016-1 Class B interest rate changes monthly based on the one-month LIBOR floating rate plus 150 basis points.
- (i) 2016-1 Class A interest rate changes monthly based on the one-month LIBOR floating rate plus 62.5 basis points.

b. Annual debt service requirements for the Authority to service bond and note debt outstanding as of September 30, 2020, including both principal and interest, are as follows (in millions):

Fiscal Years Ending	Tobacco Settlement Debt Service Fund		Municipal Bond Fund - Local Municipalities Subfund		Municipal Bond Fund - Local Municipalities Subfund - Direct Placements		Municipal Bond Fund - State Revolving Subfund		Municipal Bond Fund - State Revolving Subfund - Direct Placements		Municipal Bond Fund - School Loan Revolving Subfund		Student Loan Fund		Student Loan Fund - Direct Placements		Non-Major Funds Direct Placements		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 20.1	\$ 53.5	\$ 603.0	\$ 172.8	\$ 125.4	\$ 23.6	\$ 105.5	\$ 39.0	\$ 48.8	\$ 9.1	\$ 12.0	\$ 26.2	28.8	\$ 5.3	\$ 31.2	\$ 1.3	\$ 29.2	\$ 0.3	\$ 1,003.8	\$ 331.1
2022	48.6	52.2	174.3	153.6	124.5	19.2	82.1	30.6	31.8	8.3	166.0	26.0	28.8	4.6	31.2	1.1			687.3	295.5
2023	57.6	49.4	163.5	145.1	114.2	14.7	61.2	23.8	53.6	7.3	122.4	20.7	28.8	3.9	31.2	0.8			632.4	265.7
2024	96.9	45.4	185.3	137.5	58.6	11.4	50.2	19.0	56.2	6.0	162.0	17.0	28.8	3.3	31.2	0.5			669.2	239.9
2025	22.5	38.7	209.1	127.6	28.0	9.4	56.9	16.3	42.7	4.8	10.0	11.7	28.8	2.7	14.8	0.2			412.6	211.4
2026 - 2030	142.3	167.5	750.8	517.1	163.0	27.2	183.9	50.5	150.1	10.1	181.8	35.6	61.8	6.6	9.0	0.2			1,642.6	815.0
2031 - 2035	160.8	112.0	930.5	327.4	23.3	4.0	77.7	19.4	21.3	0.6	61.0	22.5	12.0	0.4					1,286.6	486.2
2036 - 2040	93.4	71.8	363.7	141.8	4.3	1.9	54.6	5.6			28.8	12.3							544.7	233.5
2041 - 2045	124.3	40.2	341.2	54.2	5.5	0.8					28.8	6.1							499.7	101.2
2046 - 2050	757.4	5.1	68.6	5.6							300.0	2.3							1,126.0	13.1
2051 - 2055	1,060.4																		1,060.4	-
2056 - 2060	4,395.9																		4,395.9	-
Total unadjusted bonds, notes, and interest	\$ 6,980.3	\$ 635.8	\$ 3,789.9	\$ 1,782.7	\$ 646.7	\$ 112.1	\$ 672.0	\$ 204.3	\$ 404.4	\$ 46.0	\$ 1,072.8	\$ 180.4	\$ 217.6	\$ 26.8	\$ 148.4	\$ 4.1	\$ 29.2	\$ 0.3	\$ 13,961.3	\$ 2,992.6
Unamortized premium			191.6				64.6		-				0.4						256.6	
Unamortized discounts	(14.7)		(0.1)																(14.8)	
Unamortized accretion for capital appreciation bonds	(5,795.8)																		(5,795.8)	
Total	\$ 1,169.8	\$ 635.8	\$ 3,981.5	\$ 1,782.7	\$ 646.7	\$ 112.1	\$ 736.5	\$ 204.3	\$ 404.4	\$ 46.0	\$ 1,072.8	\$ 180.4	\$ 218.1	\$ 26.8	\$ 148.4	\$ 4.1	\$ 29.2	\$ 0.3	\$ 8,407.3	\$ 2,992.6

(a) For Series 22-B, Series 26, and Series 27 in the Student Loan Fund, the redemptions were calculated prior to the maturity date because the initial purchaser estimated an earlier final redemption based on cash flow estimations.

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c. Changes in long-term debt for the fiscal year ended September 30, 2020 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities						
Tobacco Settlement Asset-Backed Bonds	\$ 6,995,745,000	\$	\$ (15,470,000)	\$ 6,980,275,000	\$ 20,130,000	\$ 6,960,145,000
Unemployment Obligation Assessment Revenue Bonds	168,150,000		(168,150,000)			
Total Governmental Activities	<u>\$ 7,163,895,000</u>	<u>\$ 0</u>	<u>\$ (183,620,000)</u>	<u>\$ 6,980,275,000</u>	<u>\$ 20,130,000</u>	<u>\$ 6,960,145,000</u>
Business-Type Activities						
Local Municipalities Subfund State Aid Notes	\$ 338,670,000	\$ 409,518,000	\$ (338,670,000)	\$ 409,518,000	\$ 409,518,000	\$
Local Municipalities Subfund Tax Anticipation Notes - Direct Placements	5,630,000	19,410,000	(19,007,000)	6,033,000	6,033,000	
Local Municipalities Subfund Local Government Loan Program Bonds	3,224,470,000	42,620,000	(185,510,000)	3,081,580,000	192,180,000	2,889,400,000
Local Municipalities Subfund Local Government Loan Program Bonds -Direct Placements	651,107,000		(133,942,000)	517,165,000	110,195,000	406,970,000
Local Municipalities Subfund School Loan Revenue Bonds	11,445,000		(1,220,000)	10,225,000	1,295,000	8,930,000
Local Municipalities Subfund State Aid Revenue Bonds	288,625,000			288,625,000		288,625,000
Local Municipalities Subfund Transportation Revenue Bonds -Direct Placements	85,000,000	\$38,500,000		123,500,000	9,145,000	114,355,000
State Revolving Subfund	773,960,000		(101,965,000)	671,995,000	105,450,000	566,545,000
State Revolving Subfund - Direct Placements	420,015,000	16,600,000	(32,200,000)	404,415,000	48,785,000	355,630,000
School Loan Revolving Subfund	1,178,000,000	500,780,000	(606,000,000)	1,072,780,000	12,000,000	1,060,780,000
Student Loan Bonds	122,000,000		(11,000,000)	111,000,000	11,000,000	100,000,000
Student Loan Bonds - Direct Placements	43,218,000		(14,072,000)	29,146,000	6,857,882	22,288,118
Student Loan Notes	128,155,000		(21,518,000)	106,637,000	17,772,833	88,864,167
Student Loan Notes - Direct Placements	150,295,000		(31,035,000)	119,260,000	24,302,400	94,957,600
Public School Academy Facilities Notes - Direct Placements	24,605,900	29,176,000	(24,605,900)	29,176,000	29,176,000	
Total Business-Type Activities	<u>\$ 7,445,195,900</u>	<u>\$ 1,056,604,000</u>	<u>\$ (1,520,744,900)</u>	<u>\$ 6,981,055,000</u>	<u>\$ 983,710,115</u>	<u>\$ 5,997,344,885</u>
Total Bonds and Notes Payable	<u>\$ 14,609,090,900</u>	<u>\$ 1,056,604,000</u>	<u>\$ (1,704,364,900)</u>	<u>\$ 13,961,330,000</u>	<u>\$ 1,003,840,115</u>	<u>\$ 12,957,489,885</u>

d. Refunded Bonds and Notes

(1) School Loan Revolving Fund

On November 20, 2019 the Authority issued \$200.8 million in School Loan Revolving Refunding Bonds, Series 2019B and on December 4, 2019 the Authority issued \$300 million in School Loan Revolving Refunding Bonds, Series 2019C and 2019D under the School Loan Revolving Program.

The proceeds from the School Loan Revolving Refunding Bonds, Series 2019B, 2019C and 2019D, along with a cash contributed by the Authority in the amount of \$100.3 million, were used to redeem the School Loan Revolving Fund Revenue Bonds Series 2010A, 2010B, 2010C and 2014A on December 04, 2019.

The Bonds refunded \$600 million of the School Loan Revolving Fund Revenue Bonds, Series 2010A, 2010B, 2010C and 2014A. The 2019B bonds were sold with a true interest cost of 2.639% and garnered a Net Present Value Savings of approximately 2.639% or \$12.7 million of the refunded bonds. The 2019C and 2019 D bonds were sold with a true interest cost of 4.042% and did not garner a Net Present Value Savings. The cash contribution portion garnered a Net Present Value Savings of approximately 4.00% or \$29.4 million of the refunded bonds. The refunding reduced total debt service payments over 10 years by \$351.3 million approximately.

e. Defeased Bonds

The Authority has defeased certain Municipal Bond Fund bonds by depositing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. The amount of bonds outstanding considered defeased was \$239.1 million at September 30, 2020.

f. Demand Bonds

(1) School Loan Revolving Fund

Included in noncurrent liabilities is \$300.0 million of School Loan Revolving Fund Revenue and Refunding Bonds, Series 2019C and 2019D, with a nominal maturity of September 1, 2049. The bonds were issued in the amount of \$300 million on December 4, 2019 to refund prior bonds and to make qualified loans to school districts.

The bonds are subject to purchase on the demand of the holder at a price equal to the purchase price on five day's notice and delivery to the tender agent. The remarketing agents (Bank of America Securities Inc- Series 2019C and PNC Capital Markets LLC- Series 2019D) are authorized to offer for sale and use their best efforts to sell any bonds that are remarketed pursuant to the supplemental indenture. The interest rate on the bonds is reset weekly at the rate determined by the remarketing agents to be the minimum interest rate that would enable the remarketing agents to sell all of the bonds on the effective date at a price equal to the principal amount. The fee for the remarketing agents is 0.07% of the outstanding balance.

Under irrevocable transferrable letters of credit issued by Bank of America, N.A. (Series 2019C) and PNC Bank, National Association (Series 2019D), the trustee is entitled to draw an amount sufficient to pay the purchase price of the bonds delivered to it. The letters of credit are valid through December 4, 2023. If not previously extended, the letter automatically terminates. All amounts drawn on the letter of credit must be paid on the earliest of the 90th day following the draw, the conversion date, the redemption of bonds, the date of the sale of bank bonds, the regularly scheduled quarterly interest payment date, and the replacement of the letter. Any liquidity advance on the irrevocable letters of credit not repaid in 90 days, or otherwise, converts to a term loan payable in six semi-annual installments. As of September 30, 2020, there have not been any draws on the letters of credit. The banks issuing the letters of credit are paid a fee based on a pricing matrix that takes into account the unenhanced ratings of the bonds. At the current ratings, the fee is 0.35% of the outstanding balance.

g. Revenue Bond Anticipation Notes

During the year ended September 30, 2020, the Authority authorized the issuance of the Clean Water and Drinking Water Revolving Fund Revenue Bond Anticipation Note, Series 2020A, up to a principal amount of \$60.0 million. As of September 30, 2020, the Authority had drawn down \$16.6 million of the authorized amount, leaving an undrawn amount of \$43.4 million.

Note 9 Conduit Debt Obligations

The Authority has issued limited obligation bonds to provide capital financing for eligible borrowers that are not part of the Authority's financial reporting entity. Typically, these borrowings are repayable only from the borrowers' repayment of loans, undisbursed proceeds, and related interest earnings and the Authority has no obligation for this debt. Therefore, the conduit debt obligations are not recorded as liabilities of the Authority.

The Authority issues limited obligation bonds to finance loans to private or nonpublic entities, nonprofit institutions of higher education, qualified public or private educational facilities, and healthcare providers for capital improvements. The Authority issued limited obligation bonds through the Higher Education Facilities Fund, Public School Academy Facilities Fund, Healthcare Finance Fund, and Michigan Strategic Fund.

The Authority has defeased, in substance, certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Economic gains and accounting gains and losses upon in-substance defeasance inure to the benefit of the facility for which the bonds were issued and, accordingly, are not reflected in the Authority's financial statements.

The total outstanding limited obligation bonds and defeased and undefeased portions as of September 30, 2020 were as follows:

	Higher Education Facilities Fund	Public School Academy Facilities Fund	Healthcare Finance Fund	Michigan Strategic Fund	Total
Defeased	\$	\$	\$ 1,105,555,000	\$	\$ 1,105,555,000
Undefeased	545,537,570	187,160,000	8,890,668,325	33,435,441	9,656,801,336
Total outstanding	<u>\$ 545,537,570</u>	<u>\$ 187,160,000</u>	<u>\$ 9,996,223,325</u>	<u>\$ 33,435,441</u>	<u>\$ 10,762,356,336</u>

Note 10 Employee Benefits**a. Plan Descriptions**

The Authority participates in the State of Michigan's defined benefit and defined contribution pension plans that cover most State employees, as well as related component units such as the Authority. The defined benefit and defined contribution pension plans are part of the Michigan State Employees' Retirement System administered by the Office of Retirement Services, Department of Technology, Management, and Budget. Participants in each plan are eligible for retirement, healthcare, disability, and death benefits upon meeting certain vesting requirements. The Michigan State Employees' Retirement System issues a publicly

available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report is available on the State's website at <www.michigan.gov/ors>. The financial report for the defined contribution plan may be obtained by writing to the Office of Retirement Services, Department of Technology, Management, and Budget, P.O. Box 30171, Lansing, Michigan 48909-7671.

b. Funding Policy

For the defined contribution plan, the Authority was required to contribute 3.68% of payroll with an additional match of up to 3%. Employees in the defined contribution plan are not required to contribute to the plan but may contribute up to the Internal Revenue Service allowed maximum. Employees participating in the defined contribution plan vest in employer contributions at 50% after two years of service, 75% after three years of service, and 100% after four years of service. Forfeited employer contributions are retained within the defined contribution plan and are used toward future employer required contributions. The Authority transferred \$221,360 to the State for its employer contribution for the defined contribution plan in fiscal year 2020. The contribution requirements of plan members and the Authority are established and may be amended by the State Legislature. The State Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for the plans.

c. Postemployment Benefits

The Authority participates in the State of Michigan's single-employer postemployment benefit plan. State statutes provide retired employees with other postemployment benefits, such as health, dental, vision, and life insurance coverage based on vesting and other requirements. The Authority was required to contribute 20.67% of payroll for the employer cost of other postemployment benefits in fiscal year 2020. The State pays 80% of the cost of health insurance for retired employees that were hired on or before March 30, 1997. For retired employees hired after March 30, 1997 and before January 1, 2012, the State pays between 30% and 80% of the cost of health insurance depending upon years of service. Employees hired on or after January 1, 2012 will not be eligible for any retiree health insurance coverage but will become a participant in the Personal Healthcare Fund where they will contribute up to 2% of their compensation into a 401(k) or 457 account, earning a matching 2% employer contribution.

Also, the employee will receive a credit into a health reimbursement account at termination of employment if he or she has at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years old or \$1,000 for participants who are less than 60 years old at termination.

Note 11 Revenue from Federal Government**a. Business-Type Activities and Proprietary Funds****(1) Student Loan Fund**

The USDOE pays the Student Loan Fund an interest subsidy on subsidized Stafford Loans for the period during which the borrowers are enrolled at an institution of higher education and during a six- to nine-month period after the borrowers have graduated or left school. The interest subsidy for fiscal year 2020 totaled \$0.9 million. In addition, federal legislation provides for a special allowance that is principally an incentive payment made so that money market conditions and interest rates will not impede the issuance of student loans. The USDOE pays the special allowance, which adjusts the Authority's yield on student loans to a rate related to the average of a one-month LIBOR yield during the quarter or, for loans disbursed on or after January 1, 2000, a rate related to the average three-month commercial paper yield. The positive special allowance received for fiscal year 2020 was \$0.5 million. For loans first disbursed on or after October 1, 2007, the College Cost Reduction and Access Act reduced the special allowance factors and the Deficit Reduction Act of 2005 required that, if the resulting special allowance calculation was negative, the negative special allowance must be paid to the USDOE. The negative special allowance paid for fiscal year 2020 totaled \$4.6 million.

(2) Non-Major Fund - Michigan Guaranty Agency - Operating Fund

The Michigan Guaranty Agency - Operating Fund receives federal funds for fees related to defaulted student loans. The account maintenance fee is 0.06% of the original principal amount of outstanding loans for administering the accounts. In addition, the Michigan Guaranty Agency - Operating Fund receives federal funds for its share of retention on loan recoveries and loans rehabilitated. For loan recoveries, the retention rate is 16.0%. For loans rehabilitated, MGA receives 100% of interest and collection costs.

b. Fiduciary Fund - Michigan Guaranty Agency Federal Fund

The Michigan Guaranty Agency Federal Fund includes federal revenue to reimburse the Authority for defaulted loan claims acquired from financial institutions. Defaulted loans consist of loans in which the student defaulted and the unpaid loan has been acquired from the financial institution by MGA and is recorded as a deduction within loan claims in the fiduciary fund. The federal government reimburses MGA between 75% and 100% of defaulted loans based on MGA's trigger default rate. All defaulted loans are currently reimbursed by the Federal Government at 100% unless MGA's trigger default rate exceeds 5%. The federal revenue is reported as an addition in the fiduciary fund.

The federal government has defined the trigger default rate to be the defaulted loan claims presented to the federal government during the federal fiscal year ended September 30, divided by loans in repayment at the beginning of the federal fiscal year, plus certain other adjustments. The trigger default rate for the fiscal year ended September 30, 2020 was 1.47%.

Note 12 Contingencies**a. Governmental Activities and Tobacco Settlement Fund - Master Settlement Agreement (MSA) and Purchase Agreement**

In November 1998, an MSA was entered into by 46 states, six other U.S. jurisdictions, and four major tobacco companies. The MSA, as it might be amended from time to time, sets forth the schedule and calculations of payments to be made by the tobacco companies to the states. These payments are subject to various adjustments and offsets, some of which could be material.

In calendar years 2006 and 2007, the Michigan Tobacco Settlement Finance Authority and the State entered into purchase agreements to purchase the right, title, and interest in and to 13.34% and 10.77%, respectively, of all TSR that is received by the State that is required under the terms of the MSA and that is payable to the State beginning in calendar years 2008 and 2010, respectively.

Future tobacco settlement collections are contingent upon future tobacco product sales and are subject to various adjustments as outlined in the MSA. Because of the uncertainty of the factors affecting tobacco product sales and the various adjustments, the Authority estimates the amount of tobacco settlement payment that will be received in April of each year based on tobacco product sales from the prior calendar year.

b. Fiduciary Fund - Michigan Guaranty Agency (MGA) Federal Fund

MGA is contingently liable for loans made by financial institutions that qualify for guaranty. All defaulted loans are currently reimbursed by the Federal Government at 100% unless MGA's trigger default rate exceeds 5%. The trigger default rate for loans guaranteed by the Authority was below 5% for fiscal year 2020.

In the event of future adverse default experience in which the trigger default rate exceeds 5% but less than 9%, the federal government's reinsurance rate could be as low as 85%. In addition, if MGA's trigger default rate exceeds 9%, the federal government's reinsurance rate could be as low as 75%; therefore, MGA could be liable for up to 25% of defaulted loans. Although management believes that MGA's expected maximum contingent liability is less than 25% of outstanding guaranteed loans, the maximum contingent liability at 25% was \$213.8 million as of September 30, 2020. Management does not expect that all guaranteed loans could default in one year.

MGA has entered into commitment agreements with all lenders that provide, among other things, that MGA will maintain cash and marketable securities at an amount sufficient to guarantee outstanding loans in accordance with the Higher Education Act of 1965, as amended. Management believes MGA was in compliance with this requirement as of September 30, 2020.

Note 13 General Information on Employee Pension Plans**a. Plan Description**

The Michigan State Employees' Retirement System (the System) is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this act establishes the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13 signed by the Governor on October 27, 2015 established the State of Michigan Retirement Board. The executive order establishes the board's authority to promulgate or amend the provision of the System. The board consists of nine members:

- The Attorney General
- The State Treasurer
- The Legislative Auditor General
- The State Personnel Director
- One member or retirant of the State Employees' Retirement System appointed by the Governor
- One member of the Judges Retirement System appointed by the Governor
- One current or former officer or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions appointed by the Governor
- One retirant member of the State Employees' Retirement System appointed by the Governor
- One member of the general public appointed by the Governor

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to the State's government employees.

The System is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by visiting www.michigan.gov/ors or by calling the Customer Information Center at (517) 322-5103 or (800) 381-5111.

b. Benefits Provided

- (1) Introduction - Benefit provisions of the defined benefit pension plan (DB) are established by State statute, which may be amended. Public Act 240 of 1943, the State Employees' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides duty disability, non-duty disability, and survivor benefits.

A member who has separated from employment may request a refund of his or her member contribution account. A refund may cancel a former member's rights to future benefits. However, former members who return to employment and who previously received a refund of their contributions may reinstate their service through repayment of the refund upon

satisfaction of certain requirements.

Effective March 31, 1997, Public Act 487 of 1996 closed the plan to new entrants. All new employees become members of the defined contribution plan. The Public Act allows returning employees and members who left State employment on or before March 31, 1997, to elect the defined benefit pension plan instead of the defined contribution plan.

(2) Pension Reform of 2012 - On December 15, 2011, the Governor signed Public Act 264 of 2011 into law. The legislation granted members a choice regarding their future retirement plan. They had the following options:

- Option 1: DB Classified. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of their annual compensation to the pension fund until they terminate State employment. The 4% contribution began on April 1, 2012.
- Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's defined contribution (DC) plan. The 4% contribution began April 1, 2012 and continues until they switch to the DC plan or terminate employment, whichever comes first.
- Option 3: DB/DC Blend. Members voluntarily elected not to pay the 4% and therefore became participants in the DC plan for future service beginning April 1, 2012. As a DC plan participant, they receive a 4% employer contribution to their 401(k) account and are eligible for an additional dollar-for-dollar employer match of up to 3% of pay to the plan.

Deferred members of the DB plan (with 10 or more years of service) who are reemployed by the State on or after January 1, 2012 become participants in the DC plan. Their pension calculation is determined by their final average compensation (FAC) and years of service as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members of the DB plan (with less than 10 years of service) who are reemployed by the State on or after January 1, 2012 and before January 1, 2014, become participants in the DC plan. When they have earned sufficient service credit for vesting (10 years), they would be eligible for a pension based on their FAC and years of service in the DB plan as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members (with less than 10 years of service) of the DB plan who are reemployed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count toward vesting for the DC plan. They will not

be eligible for any pension or retiree health insurance coverage premium but will become a participant in the Personal Healthcare Fund where they will contribute up to 2% of their compensation to a 401(k) or 457 account, earning a matching 2% employer contribution. They will also receive a credit into a health reimbursement account (HRA) at termination if they terminate employment with at least 10 years of service. The credit will be \$2,000 for participants who are at least 60 years old or \$1,000 for participants who are less than 60 years old at termination.

- (3) Regular Retirement - The retirement benefit is based on a member's years of credited service (employment) and FAC. The normal benefit equals 1.5% of a member's FAC multiplied by the years and partial year of credited service and is payable monthly over the member's lifetime.

Under Public Act 264 of 2011, the FAC is initially determined as the annual average of the highest three years of compensation (including overtime paid before January 1, 2012 but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012 and January 1, 2015, a prorated amount of post-2008 average overtime will be added to the initial FAC calculation. If the end date for the initial FAC calculation is January 1, 2015 or later, an annual average of overtime (for the six-year period ending on the FAC calculation date) will be added to that initial FAC calculation to get the final FAC number.

For members who switch to the DC plan for future service, the pension calculation (FAC times 1.5% times years of service) will be determined as of the point the member switches to the DC plan. If the FAC period includes the date of the switch to the DC plan, the FAC will include up to 240 hours of accrued annual leave multiplied by the rate of pay as of the date of the switch. The hours will be paid at separation.

A member may retire and receive a monthly benefit after attaining:

1. Age 60 with 10 or more years of credited service; or
2. Age 55 with 30 or more years of credited service; or
3. Age 55 with at least 15 but less than 30 years of credited service. The benefit allowance is permanently reduced by 0.5% for each month from the member's age on the effective date of retirement to the date the member will attain age 60.

Employees in covered positions are eligible for supplemental benefits and may retire after attaining:

1. Age 51 with 25 or more years in a covered position; or
2. Age 56 with 10 or more years in a covered position.

In either case, the three years immediately preceding retirement must have been in a covered position.

- (4) Deferred Retirement - Any member with 10 or more years of credited service who terminates employment but has not reached the age of retirement is a deferred member and is entitled to receive a monthly pension upon reaching age 60, provided the member's accumulated contributions have not been refunded. Deferred retirement is available after five years of service for State employees occupying unclassified positions in the executive and legislative branches and certain Department of Health and Human Services employees subject to reduction in force lay-offs by reason of deinstitutionalization.
- (5) Non-Duty Disability Benefit - A member with 10 or more years of credited service who becomes totally and permanently disabled not due to performing duties as a State employee is eligible for a nonduty disability pension. The nonduty disability benefit is computed in the same manner as an age and service allowance based upon service and salary at the time of disability.
- (6) Duty Disability Benefit - A member who becomes totally and permanently disabled from performing duties as a State employee as a direct result of State employment and who has not met the age and service requirement for a regular pension is eligible for a duty disability pension. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of the pension benefit and increase the minimum annual payment. If the member is under age 60, the duty disability allowance is now a minimum of \$6,000 payable annually. At age 60, the benefit is recomputed under service retirement.
- (7) Survivor Benefit - Upon the death of a member who was vested, the surviving spouse shall receive a benefit calculated as if the member had retired the day before the date of death and selected a survivor pension. Certain designated beneficiaries can be named to receive a survivor benefit. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of Duty Death benefits and redefines eligibility for deceased member's survivors. The new minimum duty-related death benefit has been increased to \$6,000.
- (8) Pension Payment Options - When applying for retirement, an employee may name a person other than his or her spouse as a beneficiary if the spouse waives this right. If a beneficiary is named, the employee must choose whether the beneficiary will receive 100%, 75%, or 50% of the retiree's pension benefit after the retiree's death. The decision is irrevocable. A description of the options follows:
- *Regular Pension* - The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to beneficiaries.

- *100% Survivor Pension* - Under this option, after the retiree's death, the beneficiary will receive 100% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount, another beneficiary cannot be named.
 - *75% Survivor Pension* - Under this option, after the retiree's death, the beneficiary will receive 75% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100% option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount, another beneficiary cannot be named.
 - *50% Survivor Pension* - Under this option, after the retiree's death, the beneficiary will receive 50% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100% option or the 75% option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount, another beneficiary cannot be named.
 - *Equated Pension* - An equated pension may be chosen by any member under age 65 except a disability retiree and an early supplemental retiree. Equated pensions provide an additional amount until age 65 and may be combined with the Regular, 100%, 75% or 50% option. At age 65, the monthly amount is permanently reduced. The initial and reduced amounts are based on an estimate of Social Security benefits at age 65, provided by the Social Security Administration Office. To calculate this benefit, members choosing this option must provide the Office of Retirement Services (ORS) with an estimate from the Social Security Administration Office. The actual amount received from Social Security may vary from the estimate.
- (9) Post Retirement Adjustments - One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977, and 1987. Beginning October 1, 1988, a 3% non-compounding increase, up to a maximum of \$25 monthly, is paid each October to recipients who have been retired 12 full months. Beginning in 1983, eligible benefit recipients share in a distribution of investment income earned in excess of 8% annually. This distribution is known as the supplemental payment. The supplemental payment is offset by one year's cumulative increases received after the implementation of the annual 3% increase in benefits.

These adjustment payments were not issued during fiscal years 1991 through 1994. Members who retired on or after October 1, 1987 are not eligible for the supplemental payment.

c. Contributions

- (1) Member Contributions - Under Public Act 264 of 2011, members who voluntarily elected to remain in the DB plan contribute 4% of compensation to the System. In addition, members may voluntarily contribute to the System for the purchase of creditable service, such as military service or maternity leave, or a universal buy-in. If a member terminates employment before a retirement benefit is payable, the member's contribution and interest on deposit may be refunded. If the member dies before being vested, the member's contribution and interest are refunded to the designated beneficiaries.
- (2) Employer Contributions - The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles so the contribution rates do not have to increase over time. For fiscal year 2020, the Authority's contribution rate was 23.82% of the defined benefit employee wages and 16.99% of the defined contribution employee wages. The Authority's contribution to the System for the fiscal year ended September 30, 2020 was \$798,346.

d. Actuarial Assumptions

The Authority's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 and rolled forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions, at the measurement date:

Wage inflation rate	2.75%
Projected salary increases	2.75% - 11.75%, including inflation of 2.75%
Investment rate of return	6.70%
Cost-of-living pension adjustment	3% annual non-compounded with maximum annual increase of \$300 for those eligible

Mortality rates were based on RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using the projection scale MP-2017 from 2006. For active members, 100% of the male table rates were used. For women, 100% of the female table rates were used.

Actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study covering the period from October 1, 2012 through September 30, 2017. The investment rate of return assumption was reduced from 7.0 to 6.7 percent between the September 30, 2018 and September 30, 2019 measurement dates.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 are summarized in the following table:

Asset Class	Asset Allocation		Long-Term Expected Real Rate of Return*	
	Target		Expected Real Rate	
Domestic equity pools	28.0	%	5.5%	
Private equity pools	18.0		8.6%	
International equity pools	16.0		7.3%	
Fixed income pools	10.5		1.2%	
Real estate and infrastructure pools	10.0		4.2%	
Absolute return pools	15.5		5.4%	
Short-term investment pools	2.0		0.8%	
Total	<u>100.0</u>	<u>%</u>		

* Long-term rates of return are net of administrative expenses and 2.3% inflation

e. Discount Rate

A discount rate of 6.7% was used to measure the total pension liability. This discount rate was based on the long-term expected rate of return on pension plan investments of 6.7%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

f. Net Pension Liability

At September 30, 2020, the Authority reported a liability of \$8,468,088 for its proportionate share of the System's net pension liability. This liability was allocated by full-time equivalent (FTE) count to the three operating funds of the Authority, which include the Student Loan Fund, a major fund; the Michigan Guaranty Agency - Operating Fund, a non-major fund; and the Michigan Finance Authority - Operating Fund, a non-major fund.

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of

September 30, 2018 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by the System during the measurement period from October 1, 2018 through September 30, 2019 relative to the total required employer contributions from all of the System's participating employers. At September 30, 2019, the Authority's proportion was 0.127.

g. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.70% as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1 Percentage Point Decrease 5.70%	Current Discount 6.70%	1 Percentage Point Increase 7.70%
Authority's proportionate share of the net pension liability	\$ 10,895,756	\$ 8,468,088	\$ 6,404,896

h. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the System Comprehensive Annual Financial Report, which may be obtained by visiting www.michigan.gov/ors.

i. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2020, the Authority's recognized pension expense was \$1,028,216. At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$	\$ 350,206
Authority's contributions subsequent to the measurement date	798,346	
Total	<u>\$ 798,346</u>	<u>\$ 350,206</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense Amount
2021	\$ (173,764)
2022	(187,979)
2023	(46,726)
2024	58,263

Note 14 Other Postemployment Benefit (OPEB) Plans

Defined Benefit OPEB Plan- Healthcare

a. Plan Description

The Michigan State Employees Retirement System (System) is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13 signed by the Governor on October 27, 2015 established the State of Michigan Retirement Board. The board consists of nine members – five appointed by the Governor, which consist of two members of the State Employees' Retirement System at least one of whom is a retirant; one member of the Judges Retirement System; one current or former officer or enlisted person in the Michigan military Establishment who is a member or retirant under the Military Retirement Provisions; and one member of the general public; and the attorney general, state treasurer, legislative auditor general, and state personnel director, who serves as an ex-officio member. The System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act.

The Michigan State Employees' Retirement System is accounted for in a separate OPEB trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. These reports may be obtained by visiting www.michigan.gov/ors or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111.

b. Benefits Provided

Benefit provisions of the other postemployment benefit (OPEB) plan are established by State statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan. Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health prescription drug, dental and vision coverage after terminating employment, if they meet eligibility requirements. Retirees with the Premium Subsidy benefit contribute 20% of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earnings a 30% subsidy with ten years of service, with an additional 3%

subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80%. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by DTMB and the Civil Service Commission to make changes to retiree medical benefit plans. Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply).

Former nonvested members of the DB plan who are reemployed by the state on or after January 1, 2014 are not eligible for retiree health insurance coverage premium subsidy but will become a participant in the Personal Healthcare Fund.

This plan is closed to new hires.

c. Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-percent of payroll value funding principles so the contribution rates do not have to increase over time. For fiscal year 2020, the Authority's contribution rate was 20.67% of the defined benefit employee wages and 20.67% of the defined contribution employee wages. The Authority's contribution to the System for the fiscal year ending September 30, 2020 was \$903,937. Active employees are not required to contribute to the System OPEB.

d. Actuarial Assumptions

The Authority's net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The total OPEB liability was determined using the following actuarial assumptions, at the measurement date:

Wage Inflation Rate	2.75%
Investment Rate of Return	6.90%
Projected Salary Increases	2.75% - 11.75%, including wage inflation at 2.75%
Health Care Cost Trend Rate	8.25% Year 1 graded to 3.50% Year 10
Mortality	RP-2014 Combined Healthy Life Mortality Table, adjusted for mortality improvements using the projection scale MP-2017 from 2006. For active members, 100% of the male table rates were used. For women, 100% of the female table rates were used.

The actuarial assumptions were based upon the results of an experience study covering the period October 1, 2012 through September 30, 2017. The investment rate of return assumption was reduced from 7.0 to 6.9 percent between the September 30, 2018 and September 30, 2019 measurement dates. The investment return assumption was updated beginning with the

September 30, 2018 valuation in accordance with the Dedicated Gains Policy adopted by the Board of Trustees. This assumption change increased the computed liabilities.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0 %	5.5 %
Private Equity Pools	18.0	8.6
International Equity Pools	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
TOTAL	100.0 %	

* Long-term rates of return are net of administrative expenses and 2.3% inflation

e. Discount Rate

A Single Discount Rate of 6.9% was used to measure the total OPEB liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 6.9%. The projection of cash flows used to determine this Single Discount Rate assumed that in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

f. Net OPEB Liability

At September 30, 2020, the Authority reported a liability of \$9,979,355 for its proportionate share of the System's net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required OPEB contributions received by the System during the measurement period

October 1, 2018, through September 30, 2019, relative to the total required employer contributions from all of the System's participating employers. At September 30, 2019, the Authority's proportion was 0.127 percent.

g. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net OPEB liability, calculated using a Single Discount Rate of 6.90%, as well as what the Authority's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percentage point lower or one percentage point higher:

	September 30, 2020		
	1 Percentage Point Decrease (5.90%)	Current Discount (6.90%)	1 Percentage Point Increase (7.90%)
Authority's proportionate share of the net OPEB Liability	\$ 11,635,772	\$ 9,979,355	\$ 8,592,252

h. Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rates

The following table presents the Authority's proportionate share of the net OPEB liability, calculated using the assumed trend rates as well as what the Authority's net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher:

	September 30, 2020		
	1 Percentage Point Decrease (7.25 to 2.5%)	Current Trend Rate (8.25 to 3.5%)	1 Percentage Point Increase (9.25 to 4.5%)
Authority's proportionate share of the net OPEB Liability	\$ 8,517,871	\$ 9,979,355	\$ 11,675,662

i. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the System's Comprehensive Annual Financial Report that may be obtained by visiting (www.michigan.gov/ors).

j. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the Authority recognized OPEB expense of \$655,472. At September 30, 2020, the Authority's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Michigan Finance Authority

September 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 1,872,334
Net difference between projected and actual earnings on investments		47,157
Change in assumptions	1,663,580	
Changes in proportion and differences between actual contributions and proportion share of contributions	71,668	263,674
Authority's contributions subsequent to the measurement date	903,937	
Total	\$ 2,639,185	\$ 2,183,165

Amounts reported as deferred outflows of resources related to OPEB resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense Amount
2021	\$ (134,013)
2022	(134,013)
2023	(110,980)
2024	(48,373)
2025	(20,538)

Postemployment Life Insurance Benefits

k. Plan Description

The State of Michigan provides postemployment life insurance benefits (the Plan) to eligible individuals upon retirement from State employment. Members of the State Employees Retirement System (SERS), the State Police Retirement System (SPRS), the Judges' Retirement System (JRS), and certain members of the Military Retirement Provisions (MMRP) may receive a life insurance benefit if they meet the benefit eligibility requirements. The Plan is a single-employer, state-wide, defined benefit other postemployment benefits (OPEB) plan. The State contracts with Minnesota Life to administer the payout of life insurance benefits. The Plan is administered by the Michigan Civil Service Commission under Article XI, Section 5 of the Michigan Constitution of 1963 and Michigan Civil Service Commission Rule 5-11.

Activity of the Plan is accounted for in the State Sponsored Group Insurance Fund (Fund), an internal service fund in the State of Michigan Comprehensive Annual Financial Report (SOMCAFR). The Fund was administratively established to account for employee insurance benefit programs, which are largely self-funded. Five group insurance programs are offered to State employees: health, dental, vision, long-term disability, and life.

The Plan is not a trust and has no assets.

I. Benefits Provided

The State's group policy with Minnesota Life includes any active employee in the category of classified State service with an appointment of at least 720 hours duration, but excluding employees with non-career appointments and those working less than 40% of full time; any active official or active unclassified employee of the State who has been approved for coverage by the Civil Service Commission; any retired employee or official who was insured under this policy or the prior policies it replaced prior to entry into a State Retirement System; and Wayne County employees who a) were State Judicial Council employees on October 1, 1996 and whose employment was transferred to the Recorder's Court on October 1, 1996 and b) whose employer subsequently became the Wayne County Clerk's Office.

Eligible retirees are provided with life insurance coverage equal to 25% of the active life insurance coverage (which amount is rounded to the next higher \$100 provided the retiree retired after July 1, 1974), \$1,000 for spouse and \$1,000 for each dependent under age 23. The active life insurance amount is either a) two times the employee's basic annual salary, the result rounded to the next higher \$1,000 if not already a multiple thereof, with a minimum of \$10,000 and a maximum of \$200,000; or b) one times the employee's basic annual salary, the result rounded to the next higher \$1,000 if not already a multiple thereof, with a minimum of \$10,000 and a maximum of \$50,000.

m. Contributions

The State requires the employer to contribute to finance 100% of the premiums for employee and retiree life insurance coverage. The premium rates for fiscal year 2020 are \$.28 during the year for each \$1,000.00 of coverage. The employee contributes 100% of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid. The Michigan Civil Service Commission is responsible for establishing and amending funding policies.

n. Actuarial Valuations and Assumptions

The Authority's total OPEB liability as of September 30, 2020 was measured as of September 30, 2019 and is based on an actuarial valuation performed as of September 30, 2019.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

The normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an Individual Entry-Age Actuarial Cost Method with these characteristics: a) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and b) each annual normal cost is a constant percentage of the members' year by year projected covered pay.

The total OPEB liability was measured using the following actuarial assumptions:

Wage Inflation Rate:	2.75.%
Investment Rate of Return (Discount Rate):	2.75% per year
Mortality:	Healthy Life and Disabled Life Mortality, with 110 percent of the Male and Female rates used in the pension valuations for MSERS plan members

IBNR: A liability equal to 25% of expected first year cash flow was held for postemployment life insurance benefits claims incurred but not reported (IBNR).

Spouse Benefits for Future Retirees: The liabilities for active members were loaded to account for potential postemployment life insurance benefits payable to spouses of future retirees at 1.5 percent for MSERS retirees.

Spouse Benefits for Current Retirees: Data regarding postemployment life insurance benefits coverage for spouses of current retirees was not available. Liabilities for retired members were loaded to account for postemployment life insurance benefits payable to the spouses of current retirees at 2 percent for MSERS retirees.

Compensation: For some MSERS retirees, FAC was not reported. The FAC for these members was assumed to be \$54,575 (the average of all MSERS retiree records reported with FAC).

For purposes of valuing the postemployment life insurance benefit policies for retirees, base wage at retirement was not available and was approximated by applying a factor to the reported FAC at retirement. The factor used to convert a FAC to a base wage is based on the length of the FAC period for each group. The factor used for MSERS was 0.986618 (2 year FAC) for Conservation and 0.973475 (3 year FAC) for Corrections and All Others.

For MSERS DC plan retirees, compensation at retirement and other information was not provided to the actuary. The postemployment life insurance benefit policies for this group were assumed to have the same average value as the policies for retirees in the MSERS DB plan.

Other: The face values of The Plan policies currently in force were requested by the actuary but were not available for use in this valuation. The actuary estimated the value of the postemployment life insurance benefit policies for retirees as follows:

Individuals retired after July 1974: 50% x compensation at retirement (compensation reported for the 2019 retirement system valuations):

Spousal benefits: \$1,000

Individuals retired on or before July 1974: \$3,000

Spousal benefits: \$1,000.

Data for current retiree members of the Plan was not available for use in this valuation. All current retiree members of the retirement plans deemed eligible for postemployment life insurance benefits and reported in connection with the 2019 retirement valuations were included in this valuation of the Plan.

o. Discount Rate

A discount rate of 2.75% was used to measure the ending total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2019. This discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date since the plan has no assets. The municipal bond rate of 3.83% was used for determining the beginning total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2018.

p. Total OPEB Liability for Postemployment Life Insurance Benefits

As of September 30, 2020, the Authority reported a liability of \$1,467,032 for its proportionate share of the State's Postemployment Life Insurance Benefit's total OPEB liability. The total OPEB liability was measured as of September 30, 2019 based on an actuarial valuation performed as of that date. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period of October 1, 2018, through September 30, 2019, by the percent of OPEB actual contributions received from all applicable employers. At September 30, 2019, the Authority's proportion was 0.119 percent.

q. Sensitivity of the Total OPEB Liability for Postemployment Life Insurance

The following table presents the Authority's proportionate share of the total OPEB liability, calculated using a Single Discount Rate of 2.75%, as well as what the Authority's total OPEB liability would be if it were calculated using a Single Discount Rate that is one percentage point lower or one percentage point higher:

Michigan Finance Authority

	September 30, 2020		
	1 Percentage Point Decrease (1.75%)	Current Discount (2.75%)	1 Percentage Point Increase (3.75%)
Authority's proportionate share of the net OPEB Liability	\$ 1,749,260	\$ 1,467,032	\$ 1,247,468

r. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB for Postemployment Life Insurance Benefits

For the year ended September 30, 2020, the Authority recognized OPEB expense of \$30,552. At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	September 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 758	\$ 157,254
Changes of assumptions	86,169	99,952
Changes in proportion and differences between employer contributions and proportionate share of contributions		55,560
Authority's contributions subsequent to the measurement date	43,743	
Total	<u>\$ 130,670</u>	<u>\$ 312,766</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense Amount
2021	\$ (59,073)
2022	(59,073)
2023	(56,941)
2024	(39,357)
2025	(11,395)

s. Aggregate defined benefit OPEB amounts

Amounts reported for defined benefit postemployment benefits other than pensions and postemployment life insurance benefits are aggregated on the Statement of Net Position as follows:

	September 30, 2020			
	Total OPEB Expense	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Postemployment benefits other than pensions	\$ 655,472	\$ 9,979,355	\$ 2,639,185	\$ 2,183,165
Postemployment life insurance benefits	30,552	1,467,032	130,670	312,766
Total	<u>\$ 686,024</u>	<u>\$ 11,446,387</u>	<u>\$ 2,769,855</u>	<u>\$ 2,495,931</u>

Note 15 Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and employee medical benefits. The State of Michigan is self-insured and provides coverage to the Authority for these potential losses. Additional information on risk management can be found in the footnotes of the *State of Michigan Comprehensive Annual Financial Report*. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 16 Subsequent Events

a. Tobacco Settlement Debt Service Fund

On October 15, 2020, the Authority issued \$230,000,000 of Tobacco Settlement Asset-Backed Bonds, Taxable Series 2020A-1 (Senior Current Interest Bonds), \$97,510,000 of Tobacco Settlement Asset-Backed Bonds, Series 2020A-2 (Senior Current Interest Bonds), and \$56,905,750 of Tobacco Settlement Asset-Backed Bonds, Taxable Series 2020B (Senior Capital Appreciation Bonds). The issuance is related to the 2006 sold tobacco receipts. The bonds refunded/exchanged the following: Taxable Tobacco Settlement Asset-Backed Bonds Series 2006A maturing June 1, 2034, Tobacco Settlement Asset-Backed Bonds 2007C Second Subordinate Capital Appreciation Bonds maturing June 1, 2052, and Tobacco Settlement Asset-Backed Bonds Series 2008A Current Interest Turbo Bonds maturing June 1, 2042.

On October 15, 2020, the Authority issued \$261,270,000 of Tobacco Settlement Asset-Backed Bonds, Series 2020A Class 1 Senior Current Interest Bonds, \$66,000,000 of Tobacco Settlement Asset-Backed Bonds, Series 2020B-1 Class 2 Senior Current Interest Bonds, and \$139,762,500 of Tobacco Settlement Asset-Backed Bonds, Series 2020B-2 Class 2 Senior Capital Appreciation Bonds. This issuance is related to the 2007 sold tobacco receipts. The bonds refunded/exchanged the following: Tobacco Settlement Asset-Backed Bonds Series 2007A Current Interest Bonds maturing June 1, 2022, June 1, 2034, and June 1, 2048, Tobacco Settlement Asset-Backed Bonds Series 2007B First Subordinate Capital Appreciation Bonds maturing June 1, 2052, and Tobacco Settlement Asset-Backed Bonds 2007C Second Subordinate Capital Appreciation Bonds maturing June 1, 2052.

b. Municipal Bond Fund

On October 15, 2020, the Authority issued \$156,845,000 of Clean Water and Drinking Water Revolving Fund Revenue Bonds, Series 2020B and Clean Water and Drinking Water Revolving

Fund Refunding Bonds, Series 2020C within the Municipal Bond Fund -State Revolving Subfund. The 2020B bonds refunded the 2020A Bond Anticipation Notes and the remaining new money proceeds were deposited into the 2020B Clean Water or 2020B Drinking Water Loan Fund respectively. The 2020C bonds partially advance refunded the Clean Water Series 2013, and the Drinking Water Series 2011 and Series 2013.

On October 27, 2020 the Authority issued State Aid Revenue and Revenue Refunding Bonds of \$244,625,000 within the Municipal Bond Fund -Local Municipalities Subfund.

On October 27, 2020 the Authority issued Local Government Loan Program Revenue Bonds of \$4,345,000 within the Municipal Bond Fund -Local Municipalities Subfund.

On November 13, 2020 the Authority issued Federally Taxable State Clean Water Match Bonds of \$11,000,000 within the State Clean Water Revolving Fund.

Note 17 Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Authority's financial statements for the year ending September 30, 2020 but were extended to September 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Authority's financial statements for the year ending September 30, 2021 but were extended to September 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result,

issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The provisions of this statement were originally effective for the Authority's financial statements for the year ending September 30, 2022 but were extended to September 30, 2023 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Authority does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. With the London Interbank Offered Rate (LIBOR) expecting to cease existence in its current form at the end of 2021, this statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (LIBOR) in hedging derivative instruments and leases. The removal of LIBOR as an appropriate benchmark interest rate for a hedging derivative instrument is effective for the Authority's financial statements for the September 30, 2022 fiscal year. All other requirements of the statement are effective for the Authority's financial statements for the September 30, 2021 fiscal year. Lease modification requirements are effective one year later.

In June 2020, the Governmental Accounting Standards Board issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the Authority's financial statements for the year ending September 30, 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Michigan Finance Authority

**GOVERNMENTAL GENERAL FUND
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended September 30, 2020

Statutory/Budgetary Basis	Original Budget	Final Budget	Actual	Variance With Final Budget
Beginning budgetary fund balance	\$ 1,821,972	\$ 1,821,972	\$ 1,821,972	\$ 0
Resources (inflows)				
Tobacco settlement revenue	\$ 445,094	\$ 445,094	\$ 445,094	\$ 0
Miscellaneous	18,730	18,730	18,730	\$ 0
Transfers from other funds	297,557	297,557	297,557	0
Total resources (inflows)	\$ 761,381	\$ 761,381	\$ 761,381	\$ 0
Amount available for uses (outflows)	\$ 2,583,353	\$ 2,583,353	\$ 2,583,353	\$ 0
Uses (outflows)	\$ 668,292	\$ 668,292	\$ 668,292	\$ 0
Total uses (outflows)	\$ 668,292	\$ 668,292	\$ 668,292	\$ 0
Ending budgetary fund balance	\$ 1,915,061	\$ 1,915,061	\$ 1,915,061	\$ 0

See accompanying note to required supplementary information.

Michigan Finance Authority

GOVERNMENTAL GENERAL FUND
BUDGETARY COMPARISON SCHEDULE BUDGET-TO-GAAP RECONCILIATION
For the Fiscal Year Ended September 30, 2020

Sources/inflows of resources

Actual amount (budgetary basis) available for uses (outflows) from the budgetary comparison schedule	\$ 2,583,353
Differences - Budget to GAAP:	
Budgetary fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,821,972)
Transfers from other funds is a budgetary resources but is an other financing source for financial reporting purposes	<u>(297,557)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 463,824</u>

Uses/outflows of resources

Actual amount (budgetary basis) total uses (outflows) from the budgetary comparison schedule	<u>\$ 668,292</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 668,292</u>

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

Note 1 Statutory/Budgetary Presentation

The Tobacco Settlement Debt Service Fund enabling legislation, Act 226, P.A. 2005, and the Unemployment Obligation Assessment Debt Service Fund enabling legislation, Act 267, P.A. 2011, provide for the Authority to engage the services of financial advisors and experts, legal counsel, placement agents, underwriters, appraisers and other advisors, consultants, and fiduciaries as may be necessary to effectuate the purposes of the acts. The Michigan Finance Authority bond official statements establish authorization to pay applicable administrative expenditures.

The budgetary comparison schedule presents the original and final budget for fiscal year 2020, as well as the actual revenues and other sources (inflows), expenditures (outflows), and fund balance stated on the budgetary basis. The Authority does not estimate revenue for budget purposes, and the Authority is allowed to spend the collected revenue without restrictions. Therefore, the original budget reflects the final budget, and the actual revenue reflects the budgeted revenue. There were no changes from the original budget to the final budget.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

**Schedule of the Michigan Finance Authority's Proportionate Share of Net Pension Liability
State Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the Net Pension Liability	0.127%	0.130%	0.130%	0.130%	0.137%	0.129%
Proportionate Share of the Net Pension Liability	\$8,468,088	\$7,874,841	\$6,701,048	\$6,877,499	\$7,515,042	\$6,637,870
Covered Payroll	\$3,903,855	\$3,837,049	\$3,402,067	\$3,684,273	\$4,009,269	unavailable
MFA's proportionate share of the net pension liability as a percentage of its covered payroll	216.92%	205.23%	196.97%	186.67%	187.44%	unavailable
Plan fiduciary net position as a percentage of the total pension liability	64.71%	67.22%	69.45%	67.48%	66.11%	68.07%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year.

This schedule is built prospectively upon implementation of GASB Statement No. 68 and will show 10 years of data once it becomes available.

**Schedule of Michigan Finance Authority's Contributions
State Employees' Retirement Plan**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contribution	\$798,346	\$727,241	\$801,352	\$940,163	\$833,378	\$1,020,121
Contributions in relation to the statutorily required contribution	\$798,346	\$727,241	\$801,352	\$940,163	\$833,378	\$1,020,121
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$4,017,044	\$3,903,855	\$3,837,049	\$3,402,067	\$3,684,273	\$4,009,269
Contributions as a percentage of covered payroll	19.87%	18.63%	20.88%	27.64%	23.98%	25.44%

This schedule is built prospectively upon implementation of GASB Statement No. 68 and will show 10 years of data once it becomes available.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

Note 1 Pension Funding

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension and other postemployment benefit obligations as a factor.

The Schedule of Contributions is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions are schedules that are required in implementing GASB Statement No. 68. The Schedule of the Proportionate Share of the Net Pension Liability represents in actuarial terms, the accrued liability less the market value of assets. The Schedule of Contributions is a comparison of the Authority's contributions to the actuarially determined contributions.

The information presented in the Schedule of Contributions was used in the actuarial valuation for purposes of determining actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the pension plan follows.

Valuation:

Actuarially determined contribution amounts are calculated as of September 30, each year. The September 30, 2017 valuation determined the contribution rate for the State of Michigan's fiscal year ending September 30, 2020.

Methods and Assumptions Used to Determine Contribution For Fiscal Year 2020

Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	20 years, closed ending September 30, 2036
Asset Valuation Method	5-Year Smoothed Market
Inflation	3.5%
Salary Increases	3.5% to 12.5%, including wage inflation at 3.5%
Investment Rate of Return	7.0% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Mortality Table adjusted for mortality improvements to 2015 using projection scale BB. For active members, 50% of the table rates were used for males and females.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – HEALTHCARE OPEB LIABILITY

**Schedule of the Michigan Finance Authority's Proportionate Share of Net OPEB Liability
State Employees' Retirement System- Healthcare**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the Net OPEB Liability	0.127%	0.130%	0.129%
Proportionate Share of the Net OPEB Liability	\$ 9,979,355	\$ 10,316,845	\$ 10,613,347
Covered Payroll	\$ 3,903,855	\$ 3,837,049	\$ 3,402,067
MFA's proportionate share of the net OPEB liability as a percentage of its covered payroll	255.63%	268.87%	311.97%
Plan fiduciary net position as a percentage of the total OPEB liability	27.88%	24.41%	19.89%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

**Schedule of Michigan Finance Authority's OPEB Contributions
State Employees' Retirement Plan-Healthcare**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contribution	\$ 903,937	\$ 1,037,630	\$ 849,342
Contributions in relation to the statutorily required contribution	\$ 903,937	\$ 1,037,630	\$ 849,342
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,017,044	\$ 3,903,855	\$ 3,837,049
Contributions as a percentage of covered payroll	22.50%	26.58%	22.14%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – HEALTHCARE OPEB LIABILITY

Note 1 OPEB Funding

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the other postemployment benefit obligations as a factor.

The Schedule of Contributions for OPEB is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The Schedule of the Proportionate Share of the Net OPEB Liability and Schedule of Contributions for OPEB are schedules that are required in implementing GASB Statement No. 75. The Schedule of Contributions is a comparison of the Authority's contributions to the actuarially determined contributions.

The information presented in the Schedule of Contributions was used in the actuarial valuation for purposes of determining actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the OPEB plan follows.

Valuation:

Actuarially determined contribution amounts are calculated as of September 30, each year. The September 30, 2017 valuation determined the contribution rate for the State of Michigan's fiscal year ending September 30, 2020.

Methods and Assumptions Used to Determine Contribution For Fiscal Year 2020

Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level-Percent of Payroll, Closed
Remaining Amortization Period	17 years, closed ending September 30, 2036
Asset Valuation Method	Fair Value
Inflation	2.5%
Salary Increases	3.5% to 12.5%, including wage inflation at 3.5%
Investment Rate of Return	7.35%, net of OPEB plan investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For active members, 50% of the table rates were used for males and females.
Health Care Trend Rates	8.25% in year 1, gradually decreasing to 3.50% in year 9
Aging Factors	Based on the 2013 SOA "Health Care Costs- From Birth to Death"

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – LIFE INSURANCE OPEB LIABILITY

**Schedule of the Michigan Finance Authority's Proportionate Share of Total OPEB Liability
State Employees' Retirement System – Life Insurance**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the total OPEB Liability	0.119%	0.122%	0.125%
Proportionate Share of the total OPEB Liability	\$1,467,032	\$ 1,522,275	\$ 1,605,417
Covered Employee Payroll	\$3,907,391	\$ 3,725,961	\$ 3,967,621
MFA's proportionate share of the total OPEB liability as a percentage of its covered employee payroll	37.55%	40.86%	40.46%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

The Plan is not a trust and has no assets.

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SUPPLEMENTAL FINANCIAL STATEMENTS

Michigan Finance Authority

NON-MAJOR FUNDS
COMBINING STATEMENT OF NET POSITION
 September 30, 2020

	Michigan Guaranty Agency - Operating Fund	Michigan Finance Authority - Operating Fund	Public School Academy Facilities Fund	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 49,665,816	\$ 565,805	\$ 3,608,243	\$ 53,839,864
Receivable from federal government	169,627			169,627
Receivable from other funds	1,105,886	394,249		1,500,135
Interest receivable	369,567	94,467	42,342	506,376
Investments	3,819,784	6,444,400	423	10,264,607
Notes receivable			25,798,000	25,798,000
Other current assets		620,374		620,374
Total current assets	\$ 55,130,680	\$ 8,119,295	\$ 29,449,008	\$ 92,698,983
Noncurrent assets:				
Investments	\$ 22,853,487	\$ 7,728,762	\$	\$ 30,582,249
Total noncurrent assets	\$ 22,853,487	\$ 7,728,762	\$ 0	\$ 30,582,249
Total assets	\$ 77,984,167	\$ 15,848,057	\$ 29,449,008	\$ 123,281,232
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	\$ 396,401	\$ 179,711	\$	\$ 576,112
Deferred outflows related to OPEB	1,412,626	692,463		2,105,089
Total deferred outflows of resources	\$ 1,809,027	\$ 872,174	\$ 0	\$ 2,681,201
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	\$ 230	\$	\$	\$ 230
Bonds and notes payable, net			29,176,000	29,176,000
Interest payable			26,610	26,610
Total current liabilities	\$ 230	\$ 0	\$ 29,202,610	\$ 29,202,840
Noncurrent liabilities:				
Compensated absences	\$ 319,296	\$ 109,427	\$	\$ 428,723
Net pension liability	4,304,533	2,144,314		6,448,847
Net OPEB liability	5,837,658	2,861,595		8,699,253
Total noncurrent liabilities	\$ 10,461,487	\$ 5,115,336	\$ 0	\$ 15,576,823
Total liabilities	\$ 10,461,717	\$ 5,115,336	\$ 29,202,610	\$ 44,779,663
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	\$ 178,469	\$ 87,813	\$	\$ 266,282
Deferred inflows related to OPEB	1,272,925	623,983		1,896,908
Total deferred inflows of resources	\$ 1,451,394	\$ 711,796	\$ 0	\$ 2,163,190
NET POSITION				
Restricted	\$ 67,880,083	\$	\$ 3,608,243	\$ 71,488,326
Unrestricted		10,893,099	(3,361,845)	7,531,254
Total net position (deficit) (Note 2)	\$ 67,880,083	\$ 10,893,099	\$ 246,398	\$ 79,019,580

Michigan Finance Authority

NON-MAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Fiscal Year Ended September 30, 2020

	Michigan Guaranty Agency - Operating Fund	Michigan Finance Authority Operating Fund	Public School Academy Facilities Fund	Totals
OPERATING REVENUES				
Federal revenue:				
Loan recoveries	\$ 1,882,527	\$	\$	\$ 1,882,527
Loans repurchased and rehabilitated	8,342,033			8,342,033
Account maintenance	707,536			707,536
Interest revenue			504,724	504,724
Investment income	1,696,915	456,892	77,411	2,231,218
Fees:				
Default aversion	272,173			272,173
Authority		1,208,319		1,208,319
Miscellaneous	1,206,098		73,200	1,279,298
Total operating revenues	\$ 14,107,282	\$ 1,665,211	\$ 655,335	\$ 16,427,828
OPERATING EXPENSES				
Interest expense	\$	\$	\$ 267,333	\$ 267,333
Debt issuance costs			198,990	198,990
Other administrative expense	10,602,620	1,993,449		12,596,069
Total operating expenses	\$ 10,602,620	\$ 1,993,449	\$ 466,323	\$ 13,062,392
Operating income (loss)	\$ 3,504,662	\$ (328,238)	\$ 189,012	\$ 3,365,436
TRANSFERS				
Transfers from other funds	\$	\$ 60,494	\$	\$ 60,494
Transfers to other funds			(14,333)	(14,333)
Total transfers	\$ 0	\$ 60,494	\$ (14,333)	\$ 46,161
Change in net position	\$ 3,504,662	\$ (267,744)	\$ 174,679	\$ 3,411,597
Net position - Beginning of fiscal year	64,375,421	11,160,843	71,719	75,607,983
Net position - End of fiscal year	\$ 67,880,083	\$ 10,893,099	\$ 246,398	\$ 79,019,580

Michigan Finance Authority

NON-MAJOR FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2020

	Michigan Guaranty Agency - Operating Fund	Michigan Finance Authority - Operating Fund	Public School Academy Facilities Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Bonds, notes, and loans receivable made	\$	\$	\$ (28,021,000)	\$ (28,021,000)
Principal received on bonds, notes, and loans			24,372,000	24,372,000
Interest received on bonds, notes, and loans			498,505	498,505
Cash payments to employees and suppliers for goods and services	(10,075,210)	(2,373,833)	73,200	(12,375,843)
Other operating revenues	12,134,816	1,683,657		13,818,473
Net cash provided by (used in) operating activities	\$ 2,059,606	\$ (690,176)	\$ (3,077,295)	\$ (1,707,865)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from sale of bonds and notes, net	\$	\$	\$ 29,176,000	\$ 29,176,000
Payment of debt issuance costs			(198,990)	(198,990)
Principal paid on bonds and notes			(24,605,900)	(24,605,900)
Interest paid on bonds and notes		60,494	(259,530)	(199,036)
Transfers			(14,333)	(14,333)
Net cash provided by (used in) noncapital financing activities	\$ 0	\$ 60,494	\$ 4,097,247	\$ 4,157,741
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	\$ (12,008,389)	\$	\$	\$ (12,008,389)
Proceeds from sale and maturities of investments	36,787,000	2,193,566		38,980,566
Net proceeds from (purchases of) sale and maturity of money market funds		(1,955,697)	45,725	(1,909,972)
Interest and dividends on investments	1,585,335	276,110	77,412	1,938,857
Net cash (used in) provided by investing activities	\$ 26,363,946	\$ 513,979	\$ 123,137	\$ 27,001,062
Net increase (decrease) in cash	\$ 28,423,552	\$ (115,703)	\$ 1,143,089	\$ 29,450,938
Cash and cash equivalents - Beginning of fiscal year	21,242,264	681,508	2,465,154	24,388,926
Cash and cash equivalents - End of fiscal year	\$ 49,665,816	\$ 565,805	\$ 3,608,243	\$ 53,839,864
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 3,504,662	\$ (328,238)	\$ 189,012	\$ 3,365,436
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Investment income	(1,696,915)	(456,891)	(77,411)	(2,231,217)
Interest expense			267,333	267,333
Debt issuance cost			198,990	198,990
Pension expense	101,775	49,889		151,664
OPEB expense	(92,052)	(45,124)		(137,176)
Changes in assets and liabilities:				
Decrease (increase) in other receivables	167,116	81,170	(6,219)	242,067
Increase (decrease) in other payables	75,020	9,018		84,038
Decrease in bonds, notes, and loans receivable			(3,649,000)	(3,649,000)
Net cash provided by (used in) operating activities	\$ 2,059,606	\$ (690,176)	\$ (3,077,295)	\$ (1,707,865)



SUPPLEMENTAL FINANCIAL SCHEDULES

Michigan Finance Authority

MUNICIPAL BOND FUND
COMBINING SUPPLEMENTAL SCHEDULE OF NET POSITION
September 30, 2020

	Local Municipalities Subfund	State Revolving Subfund	
		Clean Water Program	Drinking Water Program
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,799	\$ 1,315	\$ 45,517
Receivable from federal government		139,338	197,185
Interest receivable	53,916,200	7,472,317	792,802
Investments	72,490,376	1,254,788,118	397,903,489
Notes receivable	423,208,376		
Loans receivable, net	1,295,000	170,527,359	34,539,826
Bonds receivable	301,795,000		
Total current assets	\$ 852,709,751	\$ 1,432,928,447	\$ 433,478,819
Noncurrent assets:			
Receivable from State of Michigan	\$	\$	\$
Investments		193,234,341	46,591,530
Loans receivable, net	8,994,393	1,558,954,506	330,236,449
Bonds receivable	3,854,747,886		
Total noncurrent assets	\$ 3,863,742,279	\$ 1,752,188,847	\$ 376,827,979
Total assets	\$ 4,716,452,030	\$ 3,185,117,294	\$ 810,306,798
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	\$ 397,160	\$ 24,813,592	\$ 628,187
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	\$ 51,485,028	\$ 182,760	\$ 75,597
Bonds and notes payable, net	736,210,136	119,395,000	34,840,000
Interest payable	65,040,076	19,370,116	1,564,723
Unearned revenue			5,000,000
Arbitrage payable		3,898,696	
Total current liabilities	\$ 852,735,240	\$ 142,846,572	\$ 41,480,320
Noncurrent liabilities:			
Bonds and notes payable, net	\$ 3,891,958,975	\$ 928,642,113	\$ 58,085,522
Total noncurrent liabilities	\$ 3,891,958,975	\$ 928,642,113	\$ 58,085,522
Total liabilities	\$ 4,744,694,215	\$ 1,071,488,685	\$ 99,565,842
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	\$ 844,093	\$ 763,482	\$ 0
NET POSITION			
Restricted for:			
State Revolving Subfund	\$	\$ 2,137,678,719	\$ 711,369,143
Strategic Water Quality Initiatives Subfund			
School Loan Revolving Subfund			
Unrestricted	(28,689,118)		
Total net position	\$ (28,689,118)	\$ 2,137,678,719	\$ 711,369,143

Michigan Finance Authority

Strategic Water Quality Initiatives Subfund	School Loan Revolving Subfund	Totals
\$ 31,212	\$ 1,910,930,805	\$ 1,911,013,648
		336,523
	77,608	62,258,927
24,892,777	109,191,579	1,859,266,339
		423,208,376
1,790,000		208,152,185
		301,795,000
<u>\$ 26,713,989</u>	<u>\$ 2,020,199,992</u>	<u>\$ 4,766,030,998</u>
\$	\$ 417,554,828	\$ 417,554,828
	2,694,633	242,520,504
25,463,026		1,923,648,374
		3,854,747,886
<u>\$ 25,463,026</u>	<u>\$ 420,249,461</u>	<u>\$ 6,438,471,592</u>
\$ 52,177,015	\$ 2,440,449,453	\$ 11,204,502,590
\$ 0	\$ 1,882,822	\$ 27,721,761
\$ 18,924	\$ 2,182,217	\$ 53,944,526
	12,000,000	902,445,136
		85,974,915
		5,000,000
		3,898,696
<u>\$ 18,924</u>	<u>\$ 14,182,217</u>	<u>\$ 1,051,263,273</u>
\$	\$ 1,060,780,000	\$ 5,939,466,610
\$ 0	\$ 1,060,780,000	\$ 5,939,466,610
\$ 18,924	\$ 1,074,962,217	\$ 6,990,729,883
\$ 0	\$ 0	\$ 1,607,575
\$ 52,158,091	\$	\$ 2,849,047,862
		52,158,091
	1,367,370,058	1,367,370,058
		(28,689,118)
<u>\$ 52,158,091</u>	<u>\$ 1,367,370,058</u>	<u>\$ 4,239,886,893</u>

Michigan Finance Authority

MUNICIPAL BOND FUND

COMBINING SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Fiscal Year Ended September 30, 2020

	Local Municipalities Subfund	State Revolving Subfund	
		Clean Water Program	Drinking Water Program
OPERATING REVENUES			
Federal revenue	\$	\$ 447,380	\$ 297,913
Interest revenue	182,119,492	41,491,369	8,594,790
Investment income	135,985	25,525,226	5,411,525
Miscellaneous	902,115		19,100
Total operating revenues	\$ 183,157,592	\$ 67,463,975	\$ 14,323,328
OPERATING EXPENSES			
Arbitrage expense	\$	\$ 3,793,229	\$
Interest expense	177,498,251	29,416,378	2,326,213
Debt issuance costs	2,357,754	57,750	57,750
Other administrative expense	902,177	825,411	293,240
Total operating expenses	\$ 180,758,182	\$ 34,092,768	\$ 2,677,203
Operating income	\$ 2,399,410	\$ 33,371,207	\$ 11,646,125
NONOPERATING REVENUES (EXPENSES)			
Operating subsidies	\$	\$ 71,617,583	\$ 33,324,036
Program principal forgiveness, net		(9,088,193)	(22,523,743)
Grant expense			
Total nonoperating revenues	\$ 0	\$ 62,529,390	\$ 10,800,293
Income before transfers	\$ 2,399,410	\$ 95,900,597	\$ 22,446,418
TRANSFERS			
Transfers to other funds	\$ (46,161)	\$	\$
Total transfers	\$ (46,161)	\$ 0	\$ 0
Change in net position	\$ 2,353,249	\$ 95,900,597	\$ 22,446,418
Net position - Beginning of fiscal year	(31,042,367)	2,041,778,122	688,922,725
Net position - End of fiscal year	\$ (28,689,118)	\$ 2,137,678,719	\$ 711,369,143

Strategic Water Quality Initiatives Subfund	School Loan Revolving Subfund	Totals
\$	\$	\$ 745,293
692,679	22,225,919	255,124,249
116,834	18,506,174	49,695,744
		921,215
<u>\$ 809,513</u>	<u>\$ 40,732,093</u>	<u>\$ 306,486,501</u>
\$	\$	\$ 3,793,229
	30,454,010	239,694,852
	1,107,288	3,580,542
28,164	3,859,891	5,908,883
<u>\$ 28,164</u>	<u>\$ 35,421,189</u>	<u>\$ 252,977,506</u>
<u>\$ 781,349</u>	<u>\$ 5,310,904</u>	<u>\$ 53,508,995</u>
\$ 48,000,000	\$	\$ 152,941,619
		(31,611,936)
(46,228,363)		(46,228,363)
<u>\$ 1,771,637</u>	<u>\$ 0</u>	<u>\$ 75,101,320</u>
<u>\$ 2,552,986</u>	<u>\$ 5,310,904</u>	<u>\$ 128,610,315</u>
\$	\$	\$ (46,161)
\$ 0	\$ 0	\$ (46,161)
\$ 2,552,986	\$ 5,310,904	\$ 128,564,154
49,605,105	1,362,059,154	4,111,322,739
<u>\$ 52,158,091</u>	<u>\$ 1,367,370,058</u>	<u>\$ 4,239,886,893</u>

Michigan Finance Authority

MUNICIPAL BOND FUND
COMBINING SUPPLEMENTAL SCHEDULE OF CASH FLOWS
For the Fiscal Year Ended September 30, 2020

	Local Municipalities Subfund	State Revolving Subfund	
		Clean Water Program	Drinking Water Program
CASH FLOWS FROM OPERATING ACTIVITIES			
Bonds, notes, and loans receivable made	\$ (518,490,447)	\$ (90,092,075)	\$ (37,659,678)
Principal received on bonds, notes, and loans	674,438,024	180,473,214	33,261,205
Interest received on bonds, notes, and loans	203,920,072	41,491,369	8,594,790
Cash payments to employees and suppliers for goods and services	(902,177)	(1,753,661)	(295,113)
Other operating revenues	902,115	419,952	289,248
Net cash provided by (used in) operating activities	\$ 359,867,587	\$ 130,538,799	\$ 4,190,452
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from sale of bonds and notes, net	\$ 520,274,807	\$ 500,000	\$ 16,100,000
Payment of debt issuance costs	(1,780,325)	(57,750)	(57,750)
Principal paid on bonds and notes	(673,915,061)	(116,765,000)	(17,400,000)
Interest paid on bonds and notes	(211,501,015)	(41,194,795)	(3,457,645)
Operating subsidies		71,617,583	33,324,036
Grant expense		(9,088,193)	(22,523,743)
Net future payments for debt service	(2,416,886)		
Transfers	(46,161)		
Net cash (used in) provided by noncapital financing activities	\$ (369,384,641)	\$ (94,988,155)	\$ 5,984,898
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	\$	\$ (398,479,321)	\$ (78,248,887)
Proceeds from sale and maturities of investments	598,000	430,078,886	244,772,898
Net (purchases of) proceeds from sale and maturity of money market funds	8,778,389	(97,925,276)	(183,454,882)
Interest and dividends on investments	144,753	21,632,355	6,382,176
Net cash (used in) provided by investing activities	\$ 9,521,142	\$ (44,693,356)	\$ (10,548,695)
Net (decrease) increase in cash	\$ 4,088	\$ (9,142,712)	\$ (373,345)
Cash and cash equivalents - Beginning of fiscal year	711	9,144,027	418,862
Cash and cash equivalents - End of fiscal year	\$ 4,799	\$ 1,315	\$ 45,517
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	\$ 2,399,410	\$ 33,371,207	\$ 11,646,125
Adjustments to reconcile operating income to net cash from operating activities:			
Investment income	(135,985)	(25,525,226)	(5,411,525)
Interest expense	177,498,251	29,416,378	2,326,213
Debt issuance cost	2,357,754	57,750	57,750
Changes in assets and liabilities:			
Decrease (increase) in other receivables	17,556,021	(27,428)	(29,638)
Increase (decrease) in other payables		2,864,979	
(Increase) decrease in bonds, notes, and loans receivable	160,192,136	90,381,139	(4,398,473)
Net cash provided by (used in) operating activities	\$ 359,867,587	\$ 130,538,799	\$ 4,190,452

Michigan Finance Authority

Strategic Water Quality Initiatives Subfund	School Loan Revolving Subfund	Totals
\$	\$ (500,562,360)	\$ (1,146,804,560)
1,675,000	1,255,856,568	2,145,704,011
692,679	118,544,311	373,243,221
(28,740)	(3,859,891)	(6,839,582)
		1,611,315
<u>\$ 2,338,939</u>	<u>\$ 869,978,628</u>	<u>\$ 1,366,914,405</u>
\$	\$ 499,672,712	\$ 1,036,547,519
		(1,895,825)
	(606,000,000)	(1,414,080,061)
	(30,735,584)	(286,889,039)
48,000,000		152,941,619
(46,228,363)		(77,840,299)
		(2,416,886)
		(46,161)
<u>\$ 1,771,637</u>	<u>\$ (137,062,872)</u>	<u>\$ (593,679,133)</u>
\$	\$	\$ (476,728,208)
		675,449,784
(4,223,901)	40,403,998	(236,421,672)
116,834	19,299,720	47,575,838
<u>\$ (4,107,067)</u>	<u>\$ 59,703,718</u>	<u>\$ 9,875,742</u>
\$ 3,509	\$ 792,619,474	\$ 783,111,014
27,703	1,118,311,331	1,127,902,634
<u>\$ 31,212</u>	<u>\$ 1,910,930,805</u>	<u>\$ 1,911,013,648</u>
\$ 781,349	\$ 5,310,904	\$ 53,508,995
(116,834)	(18,506,174)	(49,695,744)
	30,454,010	239,694,852
	1,107,288	3,580,542
	851,612,600	869,111,555
(576)		2,864,403
1,675,000		247,849,802
<u>\$ 2,338,939</u>	<u>\$ 869,978,628</u>	<u>\$ 1,366,914,405</u>

Michigan Finance Authority

STUDENT LOAN FUND

COMBINING SUPPLEMENTAL SCHEDULE OF NET POSITION

September 30, 2020

	Operating Subfund	Bond/Note Subfund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 39,862,065	\$ 79,375,134	\$ 119,237,199
Receivable from federal government	437	165,253	165,690
Interfund receivable	186,779		186,779
Interest receivable	208,075	15,122,784	15,330,859
Investments	7,539,755	649,773	8,189,528
Loans receivable, net	472,444	53,298,955	53,771,399
Other current assets		6,717	6,717
Total current assets	\$ 48,269,555	\$ 148,618,616	\$ 196,888,171
Noncurrent assets:			
Investments	\$ 6,134,745	\$ 4,605,240	\$ 10,739,985
Notes receivable	18,000,000		18,000,000
Loans receivable, net	2,716,505	306,463,449	309,179,954
Total noncurrent assets	\$ 26,851,250	\$ 311,068,689	\$ 337,919,939
Total assets	\$ 75,120,805	\$ 459,687,305	\$ 534,808,110
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	\$	\$ 1,502,670	\$ 1,502,670
Deferred outflows related to pensions	222,234		222,234
Deferred outflows related to OPEB	664,766		664,766
Total deferred outflows of resources	\$ 887,000	\$ 1,502,670	\$ 2,389,670
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	\$ 98,500	\$ 1,377,206	\$ 1,475,706
Bonds and notes payable, net		59,933,115	59,933,115
Interfund payable		186,779	186,779
Interest payable		2,069,381	2,069,381
Total current liabilities	\$ 98,500	\$ 63,566,481	\$ 63,664,981
Noncurrent liabilities:			
Bonds and notes payable, net	\$	\$ 306,526,657	\$ 306,526,657
Arbitrage payable		24,701,435	24,701,435
Compensated absences	129,300		129,300
Net pension liability	2,019,241		2,019,241
Net OPEB liability	2,747,134		2,747,134
Total noncurrent liabilities	\$ 4,895,675	\$ 331,228,092	\$ 336,123,767
Total liabilities	\$ 4,994,175	\$ 394,794,573	\$ 399,788,748
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 83,924	\$	\$ 83,924
Deferred inflows related to OPEB	599,023		599,023
Total deferred inflows of resources	\$ 682,947	\$ 0	\$ 682,947
NET POSITION			
Restricted	\$	\$ 66,395,402	\$ 66,395,402
Unrestricted	70,330,683		70,330,683
Total net position	\$ 70,330,683	\$ 66,395,402	\$ 136,726,085

Michigan Finance Authority

STUDENT LOAN FUND

COMBINING SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Fiscal Year Ended September 30, 2020

	Operating Subfund	Bond/Note Subfund	Totals
OPERATING REVENUES			
Federal revenue, net of special allowance	\$ (4,046)	\$ (3,190,728)	\$ (3,194,774)
Interest revenue	201,029	19,021,229	19,222,258
Provision for loan losses	(1,019)	(272,985)	(274,004)
Investment income	1,301,820	717,613	2,019,433
Miscellaneous	2,299,694	541,991	2,841,685
Total operating revenues	<u>\$ 3,797,478</u>	<u>\$ 16,817,120</u>	<u>\$ 20,614,598</u>
OPERATING EXPENSES			
Arbitrage expense	\$	\$ 801,592	\$ 801,592
Interest expense		9,845,043	9,845,043
Other administrative expense	1,303,495	3,482,716	4,786,211
Total operating expenses	<u>\$ 1,303,495</u>	<u>\$ 14,129,351</u>	<u>\$ 15,432,846</u>
Operating income	<u>\$ 2,493,983</u>	<u>\$ 2,687,769</u>	<u>\$ 5,181,752</u>
Change in net position	\$ 2,493,983	\$ 2,687,769	\$ 5,181,752
Net position - Beginning of fiscal year	<u>67,836,700</u>	<u>63,707,633</u>	<u>131,544,333</u>
Net position - End of fiscal year	<u>\$ 70,330,683</u>	<u>\$ 66,395,402</u>	<u>\$ 136,726,085</u>

Michigan Finance Authority

STUDENT LOAN FUND
COMBINING SUPPLEMENTAL SCHEDULE OF CASH FLOWS
For the Fiscal Year Ended September 30, 2020

	Operating Subfund	Bond/Note Subfund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Principal received on bonds, notes, and loans	\$ 339,731	\$ 68,910,066	\$ 69,249,797
Interest received on bonds, notes, and loans	192,007	14,323,159	14,515,166
Cash payments to employees and suppliers for goods and services	(1,109,727)	(4,880,065)	(5,989,792)
Net special allowance payment to federal government	(5,816)	(3,386,671)	(3,392,487)
Other operating revenues	2,345,191	902,437	3,247,628
Net cash provided by operating activities	\$ 1,761,386	\$ 75,868,926	\$ 77,630,312
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Principal paid on bonds and notes	\$	\$ (77,625,000)	\$ (77,625,000)
Interest paid on bonds and notes		(10,651,808)	(10,651,808)
Net cash used in noncapital financing activities	\$ 0	\$ (88,276,808)	\$ (88,276,808)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale and maturities of investments	\$ 31,619,381	\$ 49,755,185	\$ 81,374,566
Interest and dividends on investments	1,191,069	1,245,162	2,436,231
Net cash provided by (used in) investing activities	\$ 32,810,450	\$ 51,000,347	\$ 83,810,797
Net increase (decrease) in cash	\$ 34,571,836	\$ 38,592,465	\$ 73,164,301
Cash and cash equivalents - Beginning of fiscal year	5,290,229	40,782,669	46,072,898
Cash and cash equivalents - End of fiscal year	\$ 39,862,065	\$ 79,375,134	\$ 119,237,199
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	\$ 2,493,983	\$ 2,687,769	\$ 5,181,752
Adjustments to reconcile operating income to net cash from operating activities:			
Investment income	(1,301,820)	(717,613)	(2,019,433)
Interest expense		9,845,043	9,845,043
Pension expense	47,894		47,894
OPEB expense	(43,319)		(43,319)
Changes in assets and liabilities:			
Decrease (increase) in other receivables	341,417	(321,345)	20,072
Decrease in other payables	(7,101)	1,482,288	1,475,187
(Increase) decrease in bonds, notes, and loans receivable	230,332	62,892,784	63,123,116
Net cash provided by operating activities	\$ 1,761,386	\$ 75,868,926	\$ 77,630,312



STATISTICAL SECTION

This part of the Michigan Finance Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

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These schedules contain trend information to help the reader understand how the Michigan Finance Authority's financial performance and well-being have changed over time.

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SOURCES

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the annual financial reports or from the Authority's internal records for the relevant years.

NOTES

Legislative action created the Michigan Financial Authority in 2010. Statistical reports begin with fiscal year 2010.

The Michigan Finance Authority was created in 2010; therefore, that is the earliest year presented in the accompanying statistical tables.

Michigan Finance Authority

NET POSITION BY COMPONENT – LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$	\$	\$	\$
Restricted				
Unrestricted	(946,780,387)	(4,037,636,777)	(3,629,864,549)	(3,251,841,276)
Total governmental activities	<u>\$ (946,780,387)</u>	<u>\$ (4,037,636,777)</u>	<u>\$ (3,629,864,549)</u>	<u>\$ (3,251,841,276)</u>
Business-type activities				
Net investment in capital assets	\$	\$	\$	\$
Restricted	2,559,653,575	2,889,999,000	3,243,460,437	3,532,780,377
Unrestricted	129,518,375	155,074,009	194,165,721	140,058,333
Total business-type activities	<u>\$ 2,689,171,950</u>	<u>\$ 3,045,073,009</u>	<u>\$ 3,437,626,158</u>	<u>\$ 3,672,838,710</u>
Primary government				
Net investment in capital assets	\$	\$	\$	\$
Restricted	2,559,653,575	2,889,999,000	3,243,460,437	3,532,780,377
Unrestricted	(817,262,012)	(3,882,562,767)	(3,435,698,828)	(3,111,782,943)
Total primary government activities	<u>\$ 1,742,391,563</u>	<u>\$ (992,563,767)</u>	<u>\$ (192,238,391)</u>	<u>\$ 420,997,434</u>
Reconciliation of net position				
Beginning net position	\$ 1,444,842,017	\$ 1,742,391,563	\$ (992,563,767)	\$ (192,238,391)
Restatement of beginning net position				(44,536,182)
Beginning net position restated	1,444,842,017	1,742,391,563	(992,563,767)	(236,774,573)
Statement of Activities – changes in net position	297,549,548	(2,734,955,327)	800,325,376	657,772,008
Ending net position	<u>\$ 1,742,391,563</u>	<u>\$ (992,563,767)</u>	<u>\$ (192,238,391)</u>	<u>\$ 420,997,435</u>

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2015	2016	2017	2018	2019	2020
\$	\$	\$	\$	\$	\$
(2,837,502,355)	(1,104,934,469)	(1,069,944,526)	(1,039,638,869)	(1,021,625,025)	(1,032,793,034)
<u>\$ (2,837,502,355)</u>	<u>\$ (1,104,934,469)</u>	<u>\$ (1,069,944,526)</u>	<u>\$ (1,039,638,869)</u>	<u>\$ (1,021,625,025)</u>	<u>\$ (1,032,793,034)</u>
\$	\$	\$	\$	\$	\$
3,889,861,924	3,843,435,715	4,021,810,912	4,174,073,228	4,272,913,314	4,406,459,739
351,221	133,391,594	144,153,133	40,082,449	45,561,741	49,172,819
<u>\$ 3,890,213,145</u>	<u>\$ 3,976,827,309</u>	<u>\$ 4,165,964,045</u>	<u>\$ 4,214,155,677</u>	<u>\$ 4,318,475,055</u>	<u>\$ 4,455,632,558</u>
\$	\$	\$	\$	\$	\$
3,889,861,924	3,843,435,715	4,021,810,912	4,174,073,228	4,272,913,314	4,406,459,739
(2,837,151,134)	(971,542,875)	(925,791,393)	(999,556,420)	(976,063,284)	(983,620,215)
<u>\$ 1,052,710,790</u>	<u>\$ 2,871,892,840</u>	<u>\$ 3,096,019,519</u>	<u>\$ 3,174,516,808</u>	<u>\$ 3,296,850,030</u>	<u>\$ 3,422,839,524</u>
\$	\$	\$	\$	\$	\$
420,997,434	1,052,710,790	2,871,892,840	3,096,019,519	3,174,516,808	3,296,850,030
(6,474,045)	1,687,475,852		(11,582,231)		
414,523,389	2,740,186,642	2,871,892,840	3,084,437,288	3,174,516,808	3,296,850,030
638,187,401	131,706,198	224,126,679	90,079,520	122,333,222	125,989,494
<u>\$ 1,052,710,790</u>	<u>\$ 2,871,892,840</u>	<u>\$ 3,096,019,519</u>	<u>\$ 3,174,516,808</u>	<u>\$ 3,296,850,030</u>	<u>\$ 3,422,839,524</u>

Michigan Finance Authority

CHANGES IN NET POSITION – LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	2011	2012	2013	2014
Expenses				
Governmental Activities:				
Tobacco Settlement	\$ 75,326,475	\$ 76,117,002	\$ 76,464,845	\$ 76,433,036
Unemployment Obligation		3,342,293,493	61,578,812	53,770,005
Total Governmental Activities	<u>\$ 75,326,475</u>	<u>\$ 3,418,410,495</u>	<u>\$ 138,143,658</u>	<u>\$ 130,203,042</u>
Business-Type Activities:				
Municipal Bond Fund	\$ 232,512,497	\$ 205,622,188	\$ 175,214,865	\$ 194,744,405
Student Loan Fund	29,760,349	29,775,260	12,634,982	31,437,830
Non-Major Funds	20,949,314	20,240,504	18,925,622	17,414,169
Total Business-Type Activities	<u>\$ 283,222,160</u>	<u>\$ 255,637,953</u>	<u>\$ 206,775,470</u>	<u>\$ 243,596,404</u>
Total primary governmental expenses	<u>\$ 358,548,635</u>	<u>\$ 3,674,048,448</u>	<u>\$ 344,919,128</u>	<u>\$ 373,799,446</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
Tobacco Settlement	\$ 60,627,688	\$ 62,345,793	\$ 85,176,464	\$ 60,901,967
Unemployment Obligation		260,695,144	457,682,213	459,076,098
Operating Grants and Contributions	2,505,565	3,513,169	3,057,208	3,355,458
Total governmental activities program revenues	<u>\$ 63,133,253</u>	<u>\$ 326,554,106</u>	<u>\$ 545,915,885</u>	<u>\$ 523,333,523</u>
Business-Type Activities:				
Charges for Services:				
Municipal Bond Fund	\$ 172,141,320	\$ 164,066,340	\$ 160,677,065	\$ 175,603,147
Student Loan Fund	56,975,160	52,846,772	50,316,931	39,652,428
Non-Major Funds	25,246,681	25,840,665	25,846,255	25,338,740
Operating Grants and Contributions	338,601,770	368,785,238	362,488,368	267,643,615
Total business-type activities program revenues	<u>\$ 592,964,931</u>	<u>\$ 611,539,015</u>	<u>\$ 599,328,619</u>	<u>\$ 508,237,930</u>
Total primary government program revenues	<u>\$ 656,098,184</u>	<u>\$ 938,093,121</u>	<u>\$ 1,145,244,504</u>	<u>\$ 1,031,571,453</u>
Net (Expenses)/Revenues				
Governmental activities	\$ (12,193,222)	\$ (3,091,856,389)	\$ 407,772,227	\$ 393,130,482
Business-type activities	309,742,771	355,901,062	392,553,149	264,641,526
Total primary government net (expenses)/revenue	<u>\$ 297,549,549</u>	<u>\$ (2,735,955,327)</u>	<u>\$ 800,325,376</u>	<u>\$ 657,772,008</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Payments from State of Michigan		\$ 1,000,000		
Total governmental activities	<u>\$ 0</u>	<u>\$ 1,000,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total primary government	<u>\$ 0</u>	<u>\$ 1,000,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Changes in Net Position				
Governmental activities	\$ (12,193,222)	\$ (3,090,856,389)	\$ 407,772,227	\$ 393,130,482
Business-type activities	309,742,771	355,901,062	392,553,148	264,641,526
Total primary government net (expenses)/revenue	<u>\$ 297,549,549</u>	<u>\$ (2,734,955,327)</u>	<u>\$ 800,325,375</u>	<u>\$ 657,772,008</u>

Michigan Finance Authority

2015	2016	2017	2018	2019	2020
\$ 77,582,442	\$ 78,767,930	\$ 80,107,968	\$ 81,296,258	\$ 82,139,375	\$ 82,985,122
34,323,310	27,498,154	23,618,041	12,441,870	1,533,613	(2,670,237)
\$ 111,905,752	\$ 106,266,084	\$ 103,726,009	\$ 93,738,128	\$ 83,672,988	\$ 80,314,885
\$ 304,789,190	\$ 401,315,785	\$ 362,912,620	\$ 344,604,939	\$ 345,841,024	\$ 330,817,805
23,144,961	22,501,976	16,157,520	121,831,541	23,302,229	15,432,846
16,072,815	16,888,493	15,386,159	16,171,439	15,211,805	13,062,392
\$ 344,006,966	\$ 440,706,254	\$ 394,456,299	\$ 482,607,919	\$ 384,355,058	\$ 359,313,043
\$ 455,912,718	\$ 546,972,338	\$ 498,182,308	\$ 576,346,047	\$ 468,028,046	\$ 439,627,928
\$ 61,722,514	\$ 59,876,880	\$ 67,616,195	\$ 72,254,972	\$ 69,932,847	\$ 63,402,587
		67,927,559	46,358,017	20,655,457	3,101,840
		3,172,198	5,430,796	11,098,528	2,642,449
		\$ 138,715,952	\$ 124,043,785	\$ 101,686,832	\$ 69,146,876
\$ 279,473,753	\$ 273,188,262	\$ 260,752,832	\$ 258,999,954	\$ 283,986,079	\$ 256,045,464
30,530,557	26,475,278	28,612,302	27,004,959	26,709,387	18,595,165
22,666,073	22,917,614	20,947,283	19,063,626	14,310,277	14,196,610
235,185,063	204,739,264	273,280,618	237,313,243	163,668,693	207,633,307
\$ 567,855,446	\$ 527,320,418	\$ 583,593,035	\$ 542,381,782	\$ 488,674,436	\$ 496,470,546
\$ 567,855,446	\$ 527,320,418	\$ 722,308,987	\$ 666,425,567	\$ 590,361,268	\$ 565,617,422
\$ 414,338,921	\$ 45,092,034	\$ 34,989,943	\$ 30,305,657	\$ 18,013,844	\$ (11,168,009)
223,848,480	86,614,164	189,136,736	59,773,863	104,319,378	137,157,503
\$ 638,187,401	\$ 131,706,198	\$ 224,126,679	\$ 90,079,520	\$ 122,333,222	\$ 125,989,494
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 414,338,921	\$ 45,092,034	\$ 34,989,943	\$ 30,305,657	\$ 18,013,844	\$ (11,168,009)
223,848,480	86,614,164	189,136,736	59,773,863	104,319,378	137,157,503
\$ 638,187,401	\$ 131,706,198	\$ 224,126,679	\$ 90,079,520	\$ 122,333,222	\$ 125,989,494

Michigan Finance Authority

FUND BALANCES, GOVERNMENTAL FUNDS – LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

	2011	2012	2013	2014
General Fund				
Restricted for administrative expenditures	\$ 361,592	\$ 1,417,351	\$ 1,570,740	\$ 1,529,391
Total general fund	<u>\$ 361,592</u>	<u>\$ 1,417,351</u>	<u>\$ 1,570,740</u>	<u>\$ 1,529,391</u>
All Other Governmental Funds				
Restricted for debt service	\$ 103,386,822	\$ 334,858,059	\$ 369,001,232	\$ 360,013,265
Total All Other Governmental Funds	<u>\$ 103,386,822</u>	<u>\$ 334,858,059</u>	<u>\$ 369,001,232</u>	<u>\$ 360,013,265</u>
Reconciliation of governmental fund balances				
Beginning fund balances	\$ 103,998,391	\$ 103,748,413	\$ 336,275,410	\$ 370,571,972
Restatement of beginning fund balances				
Beginning fund balances - restated	103,998,391	103,748,413	336,275,410	370,571,972
Excess of revenues and other sources over (under) expenditures and other uses	(249,977)	232,526,997	34,296,562	(9,029,316)
Change in accounting entity				
Ending fund balances	<u>\$ 103,748,414</u>	<u>\$ 336,275,410</u>	<u>\$ 370,571,972</u>	<u>\$ 361,542,656</u>

Michigan Finance Authority

2015	2016	2017	2018	2019	2020
\$ 1,488,737	\$ 1,547,571	\$ 1,604,306	\$ 1,710,111	\$ 1,821,972	\$ 1,915,061
<u>\$ 1,488,737</u>	<u>\$ 1,547,571</u>	<u>\$ 1,604,306</u>	<u>\$ 1,710,111</u>	<u>\$ 1,821,972</u>	<u>\$ 1,915,061</u>
\$ 370,019,113	\$ 1,647,976,383	\$ 1,288,818,956	\$ 831,102,617	\$ 269,340,544	\$ 99,965,207
<u>\$ 370,019,113</u>	<u>\$ 1,647,976,383</u>	<u>\$ 1,288,818,956</u>	<u>\$ 831,102,617</u>	<u>\$ 269,340,544</u>	<u>\$ 99,965,207</u>
\$ 361,542,656	\$ 371,507,850	\$ 1,649,523,954	\$ 1,290,423,262	\$ 832,812,728	\$ 271,162,516
	1,667,089,329				
361,542,656	2,038,597,179	1,649,523,954	\$ 1,290,423,262	\$ 832,812,728	\$ 271,162,516
9,965,195	(389,073,225)	(359,100,692)	(457,610,534)	(561,650,212)	(169,282,248)
<u>\$ 371,507,850</u>	<u>\$ 1,649,523,954</u>	<u>\$ 1,290,423,262</u>	<u>\$ 832,812,728</u>	<u>\$ 271,162,516</u>	<u>\$ 101,880,268</u>

Michigan Finance Authority

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS – LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

	2011	2012	2013	2014
Revenues				
Payments from the State of Michigan	\$	\$ 1,000,000	\$	\$
Tobacco settlement revenue	63,545,540	61,769,917	83,738,973	61,251,890
Unemployment obligation assessment revenue		255,540,566	453,696,842	455,734,806
Investment income	2,963,042	4,318,454	3,042,586	3,414,231
Other income			37,000	
Total revenues	<u>\$ 66,508,582</u>	<u>\$ 322,628,937</u>	<u>\$ 540,515,401</u>	<u>\$ 520,400,927</u>
Expenditures				
Payments to Department of Licensing and Regulatory Affairs	\$	\$ 3,320,913,984	\$	\$
Debt service:				
Interest on bonds and notes	61,158,398	63,947,308	188,838,340	181,516,062
Principal on bonds and notes	5,410,000	3,327,560,000	316,815,000	347,500,000
Other administrative expenditures	190,161	12,808,950	565,498	414,181
Total expenditures	<u>\$ 66,758,559</u>	<u>\$ 6,725,230,242</u>	<u>\$ 506,218,838</u>	<u>\$ 529,430,243</u>
Excess of revenues over (under) expenditures	\$ (249,977)	\$ (6,402,601,305)	\$ 34,296,562	\$ (9,029,316)
Other Financing Sources (Uses)				
Bonds and notes issued	\$	\$ 3,323,000,000	\$	\$
Refunding bond issues		2,917,135,000		
Premium on bond issuance		394,993,301		
Transfers from other funds				
Transfers to other funds				
Total other financing sources (uses)	<u>\$ 0</u>	<u>\$ 6,635,128,301</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net change in fund balances	<u>\$ (249,977)</u>	<u>\$ 232,526,997</u>	<u>\$ 34,296,562</u>	<u>\$ (9,029,316)</u>
Debt Service as a percentage of noncapital expenditures	99.72%	50.43%	99.89%	99.92%

Michigan Finance Authority

2015	2016	2017	2018	2019	2020
\$	\$	\$	\$	\$	\$
62,047,158	60,190,534	61,747,402	72,242,619	70,092,949	67,123,373
470,358,318	92,152,544	72,352,384	52,032,168	28,971,863	3,852,510
2,972,054	4,185,194	3,172,198	5,430,795	8,388,162	2,642,449
		68,126	100,675	2,710,366	-
<u>\$ 535,377,530</u>	<u>\$ 156,528,272</u>	<u>\$ 137,340,110</u>	<u>\$ 129,806,257</u>	<u>\$ 110,163,340</u>	<u>\$ 73,618,332</u>
\$	\$	\$	\$	\$	\$
168,604,369	150,558,270	130,517,069	111,851,695	89,268,191	58,612,288
356,375,000	394,705,000	365,565,000	475,225,000	582,185,000	183,620,000
432,966	338,227	358,733	340,096	360,361	668,292
<u>\$ 525,412,335</u>	<u>\$ 545,601,497</u>	<u>\$ 496,440,802</u>	<u>\$ 587,416,791</u>	<u>\$ 671,813,552</u>	<u>\$ 242,900,580</u>
\$ 9,965,195	\$ (389,073,225)	\$ (359,100,692)	\$ (457,610,534)	\$ (561,650,212)	\$ (169,282,248)
\$	\$	\$	\$	\$	\$
					297,557
					(297,557)
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 9,965,195</u>	<u>\$ (389,073,225)</u>	<u>\$ (359,100,692)</u>	<u>\$ (457,610,534)</u>	<u>\$ (561,650,212)</u>	<u>\$ (169,282,248)</u>
99.92%	99.94%	99.93%	99.94%	99.95%	99.72%

Michigan Finance Authority

REVENUE GENERATING ASSETS – LAST TEN FISCAL YEARS

	2011	2012	2013	2014
Interest bearing notes, loans, and bonds				
Notes Receivable	\$ 981,606,210	\$ 700,614,691	\$ 694,708,027	\$ 713,393,485
Loans Receivable	4,177,428,407	4,099,707,272	3,892,346,982	3,674,415,895
Bonds Receivable	789,220,626	837,706,945	754,073,600	2,778,216,810
Total notes, loans, and bonds receivable	<u>\$ 5,948,255,243</u>	<u>\$ 5,638,028,908</u>	<u>\$ 5,341,128,609</u>	<u>\$ 7,166,026,190</u>
Interest Revenue	241,011,340	226,140,392	214,690,199	223,429,760
Average rate of return (%)	3.95%	3.90%	3.91%	3.57%
Investments				
Government money market funds	\$ 1,232,117,816	\$ 1,750,470,369	\$ 1,731,654,187	\$ 1,466,314,120
Repurchase agreements	855,309,422	643,578,360	600,360,391	547,134,875
State and municipal general obligation bonds	100,386,577	104,500,357	99,101,561	98,202,224
Commercial paper	318,573,594	18,966,642	10,570,000	4,145,000
U.S. Treasury obligations	61,019,651	60,709,664	115,422,782	111,191,625
U.S. government agency securities		169,254,528	151,108,529	140,883,355
Certificates of Deposit				
Total Investments	<u>\$ 2,567,407,060</u>	<u>\$ 2,747,479,920</u>	<u>\$ 2,708,217,450</u>	<u>\$ 2,367,871,199</u>
Investment Revenue	63,750,490	68,245,001	28,280,977	38,370,176
Average rate of return (%)	2.42%	2.57%	1.04%	1.51%

NOTES: Average rate of return for interest revenue is calculated as total fiscal year interest revenue divided by fiscal-year average interest bearing notes, loans, and bonds receivable.

Average rate of return for investment revenue is calculated as total fiscal year investment revenue divided by fiscal-year average investments.

Michigan Finance Authority

2015	2016	2017	2018	2019	2020
\$ 734,979,831	\$ 508,078,921	\$ 440,929,380	\$ 408,364,040	\$ 389,025,373	\$ 467,006,376
3,566,108,490	3,181,131,858	2,988,638,010	2,815,276,859	2,646,774,011	2,494,751,912
3,663,371,762	4,366,119,285	4,409,850,135	4,501,345,657	4,404,929,863	4,156,542,886
<u>\$ 7,964,460,083</u>	<u>\$ 8,055,330,064</u>	<u>\$ 7,839,417,525</u>	<u>\$ 7,724,986,556</u>	<u>\$ 7,440,729,247</u>	<u>\$ 7,118,301,174</u>
319,751,659	309,941,739	291,937,763	285,718,925	307,551,917	274,851,231
4.23%	3.87%	3.67%	3.67%	4.06%	3.78%
\$ 1,587,879,583	\$ 1,427,183,155	\$ 1,296,562,463	\$ 1,207,937,043	\$ 1,379,320,843	\$ 1,665,067,505
502,590,872	481,067,669	437,272,505	386,005,081	321,910,759	321,910,759
120,027,408	190,775,695	193,910,681	160,995,868	131,219,931	83,427,604
4,651,991	10,096,103	26,574,222	45,736,291	-	-
107,570,359	27,013,940	97,232,554	495,971,968	50,101,114	240,536,812
132,547,543	296,533,442	471,575,470	138,416,181	578,049,358	79,367,743
	8,153,450	16,348,449	16,117,450	8,924,000	4,713,000
<u>\$ 2,455,267,756</u>	<u>\$ 2,440,823,454</u>	<u>\$ 2,539,476,344</u>	<u>\$ 2,451,179,882</u>	<u>\$ 2,469,526,005</u>	<u>\$ 2,395,023,423</u>
36,976,591	38,786,396	41,001,845	65,554,180	106,336,126	56,588,844
1.53%	1.58%	1.65%	2.63%	4.32%	2.33%

Michigan Finance Authority

INTEREST REVENUE BY TYPE OF BORROWER – 2011 AND 2020

	2011				2020			
	Number of Borrowers	Percentage of Total	Interest Revenue	Percentage of Total	Number of Borrowers	Percentage of Total	Interest Revenue	Percentage of Total
Type of Borrower:								
Local Governments	1,311	0.32%	\$177,703,932	68.66%	1,249	1.45%	\$255,628,973	93.01%
Student Loans	411,101	99.68%	81,097,787	31.34%	84,735	98.55%	19,222,258	6.99%
Total	412,412	100.00%	\$258,801,719	100.00%	85,984	100.00%	\$274,851,231	100.00%

NOTES: Due to confidentiality issues, the names of the ten largest revenue payers are not available. These categories are intended to provide alternative information regarding the sources of the Authority's interest revenue.

Local Governments includes cities, townships, counties, public school districts, public school academies, and local government utility authorities.

Michigan Finance Authority

RATIOS OF OUTSTANDING DEBT BY TYPE – LAST TEN FISCAL YEARS

	Governmental-Type Debt		Business-Type Debt		Primary Government	Percentage of Personal Income	Debt Per Capita
	Asset-Backed Bonds	Revenue Bonds	Notes	Revenue Bonds	Total Outstanding Debt		
2011	1,087,530,995		1,833,951,978	4,918,948,706	7,840,431,679	2.12%	793
2012	1,097,984,776	3,294,460,454	1,382,110,370	4,929,219,010	10,703,774,610	2.77%	1,082
2013	1,086,929,451	2,938,323,629	1,284,340,134	4,539,391,818	9,848,985,032	2.52%	994
2014	1,100,657,133	2,529,216,145	1,053,636,185	6,289,327,980	10,972,837,443	2.69%	1,105
2015	1,113,951,069	2,106,839,790	1,142,655,000	7,007,675,707	11,371,121,566	2.63%	1,145
2016	1,129,016,028	1,657,417,008	987,096,000	7,124,758,785	10,898,287,821	2.45%	1,095
2017	1,145,119,905	1,253,161,238	827,763,000	7,051,704,576	10,277,748,719	2.24%	1,031
2018	1,151,950,591	758,690,830	721,562,771	6,989,887,721	9,622,091,913	2.02%	964
2019	1,156,635,966	174,644,127	647,355,900	7,086,521,951	9,065,157,944	1.84%	908
2020	1,169,776,936	-	3,668,710,000	3,568,837,518	8,407,324,454	Unavailable	Unavailable

SOURCES: U.S. Census Bureau, Population Division. U.S. Department of Commerce, Bureau of Economic Analysis.
Michigan Department of Treasury.

Personal Income and Population numbers are updated annually to coincide with the demographic and economic indicators. These amounts are not available for the current fiscal year.

Michigan Finance Authority

PLEDGED REVENUE DEBT SERVICE COVERAGE – LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues	Less:	Net Available Revenues	Debt Service		
		Operating Expenses		Principal	Interest	Coverage
Tobacco Settlement Asset-Backed Bonds						
2011	66,721,943	341,128	66,380,815	4,230,000	60,960,690	1.02
2012	65,523,253	351,361	65,171,892	4,560,000	60,608,761	1.00
2013	87,325,579	361,902	86,963,677	9,840,000	59,574,215	1.25
2014	63,955,969	372,759	63,583,210	5,060,000	58,514,030	1.05
2015	64,308,108	383,942	63,924,166	5,785,000	58,135,557	1.00
2016	63,803,150	395,460	63,407,690	5,665,000	57,741,482	1.00
2017	64,081,168	407,324	63,673,844	6,350,000	57,318,369	1.00
2018	74,462,665	419,544	74,043,121	17,495,000	56,505,596	1.00
2019	77,493,247	432,130	77,061,117	21,725,000	55,202,105	1.00
2020	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable

NOTES: Debt service coverage information for the Tobacco Settlement Asset Backed Bonds are presented on a calendar year basis to maintain comparability with the required annual disclosures for these bonds that are publicly available to investors. The calendar year prior to the current fiscal year is the most recent available.

Fiscal Years 2011 through 2015 Gross Revenues have been restated due to timing of receipts and their availability to pay debt service.

SOURCE: Michigan Department of Treasury

Michigan Finance Authority

DEMOGRAPHIC AND ECONOMIC INDICATORS – LAST TEN CALENDAR YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Population ¹ (in thousands)	9,884	9,882	9,897	9,913	9,930	9,932	9,951	9,973	9,984	9,987
Total Personal Income ² (in billions)	\$349.6	\$370.7	\$386.6	\$390.2	\$408.6	\$431.8	\$444.2	\$458.2	\$477.0	\$491.6
Per Capita Income ²	\$35,391	\$37,509	\$39,059	\$39,362	\$41,150	\$43,477	\$44,637	\$45,948	\$47,777	\$49,228
Unemployment Rate ³	12.6%	10.4%	9.1%	8.8%	7.2%	5.4%	5.0%	4.6%	4.1%	4.1%

NOTE: Most recent calendar year for which data is available: 2019.

SOURCE: ¹ U.S. Census Bureau, Population Division. 2008-2009 figures are September 2011 estimates. 2010 figures are from the 2010 Census. 2011-2019 figures are December 2019 release.

²U.S. Department of Commerce, Bureau of Economic Analysis.

³ Michigan Department of Technology, Management and Budget, Bureau of Labor Market Information and Strategic Initiatives; and U.S. Department of Labor, Bureau of Labor Statistics

Michigan Finance Authority

CLASSIFIED EMPLOYEES BY FUNCTION – LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Classified Employees by Function										
Governmental Activities:										
Tobacco Settlement	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Unemployment Obligation	0.0	1.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	-
Total Governmental Activity Employees	0.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5
Business-Type Activities:										
Municipal Bond Fund	11.0	10.5	12.5	11.5	11.5	10.5	9.0	8.0	9.0	8.5
Student Loan Fund	16.0	14.0	13.5	11.5	12.0	13.5	8.0	6.0	9.0	8.0
Non-Major Funds:										
Michigan Guaranty Agency	35.0	34.0	31.5	32.0	32.0	32.0	36.0	39.0	38.0	38.0
Michigan Finance Authority	2.0	2.5	3.0	2.0	2.5	2.0	2.0	2.0	2.0	1.5
Public School Academy Facilities Fund	1.0	0.5	1.0	1.0	1.0	1.0	1.0	1.0	0.5	0.5
Total Business-Type Activity Employees	65.0	61.5	61.5	58.0	59.0	59.0	56.0	56.0	58.5	56.5
Total Full-Time Equivalent Employees	65.5	63.0	62.5	59.0	60.0	60.0	57.0	57.0	59.5	57.0

NOTES: This report reflects average employee counts of individuals who are full-time in primary positions, except student assistants.

This schedule includes average employee counts. Employees who job share are divided in quarters or half. For this reason, totals may not equal the sum of the employee counts per function.

SOURCE: Michigan Department of Treasury

Michigan Finance Authority

OPERATING INDICATORS BY FUNCTION – LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Tobacco Settlement										
Bonds Issued										
Unemployment Obligation										
Bonds Issued		4								
Business-Type Activities:										
Municipal Bond Fund										
Bonds Issued	13	12	5	10	12	16	6	8	6	6
Notes Issued	7	7	6	9	12	9	6	4	3	4
Student Loan Fund										
Bonds Issued			1	1	1			1		
Notes Issued				1	2	2				
Non-Major Funds										
Michigan Guaranty Agency										
Administrative Wage Garnishment Transactions	100,629	103,754	104,224	105,929	108,374	106,945	98,052	82,631	73,679	39,340
Rehabilitated Student Loan Transactions	4,354	4,301	4,051	3,933	4,190	3,807	3,371	2,758	1,746	1,598
Michigan Finance Authority										
Bonds Issued	25	17	10	9	16	10	11	5	10	12
Public School Academy Facilities Fund										
Notes Issued	4	4	3	2	2	3	3	4	2	1

NOTES: Governmental funds issue bonds less frequently than business-type funds. Recurring activities for Governmental Funds include maintenance and tracking activities for past issuances; such as making timely debt service payments, accounting and financial reporting, and required periodic continuing disclosures for bond holders.

The Michigan Finance Authority line item includes the activities of the Healthcare Finance Fund, the Higher Education Facilities Fund, and the Michigan Strategic Fund.

To ensure consistency with information presented in the financial statements, Public School Academy Facilities Fund bond issuances have been included in the Michigan Finance Authority line above.

The Michigan Guaranty Agency transactions are shown at the borrower level.

SOURCE: Michigan Department of Treasury

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OTHER INFORMATION

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management, the Board of Directors, and
 Mr. Doug A. Ringler, CPA, CIA,
 Auditor General, State of Michigan
 Michigan Finance Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Michigan Finance Authority (the "Authority") as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management, the Board of Directors, and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan Finance Authority

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moreau, PLLC

December 21, 2020

GLOSSARY OF ABBREVIATIONS AND TERMS

Authority—Michigan Finance Authority.

Consolidation Loans—Loans made to borrowers consolidating certain student loans.

Deficiency in Internal Control Over Financial Reporting—The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

FFEL Program—Federal Family Education Loan Program.

Financial Audit—An audit that is designed to provide reasonable assurance about whether the basic financial statements of an audited entity are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

Fitch Ratings (Fitch)—A credit rating agency that, among other things, provides credit ratings for issuers of certain debt obligations or debt investments.

GASB 48—GASB Statement No. 48. *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.*

GASB 65—GASB Statement No. 65. *Items Previously Reported as Assets and Liabilities.*

Generally Accepted Accounting Principles (GAAP)—A technical accounting term that encompasses the conventions, rules, guidelines, and procedures necessary to define accepted accounting practice at a particular time; also cited as "accounting principles generally accepted in the United States of America."

Governmental Accounting Standards Board (GASB)—An arm of the Financial Accounting Foundation established to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities.

In-Relation-To Opinion—An opinion expressed by the auditor on supplementary information based on auditing procedures applied in the audit of the basic financial statements and certain additional procedures and considering materiality of the basic financial statements taken as a whole.

Internal Control—A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

LEO—Labor and Economic Opportunity.

LIBOR—London Interbank Offered Rate.

Major Fund—A significant governmental or enterprise fund, based on specific size criteria. A government's main operating fund (the general fund or its equivalent) is always considered a major fund. Government officials may also designate other governmental and enterprise funds as major funds when deemed important to financial statement users (for example, because of public interest or consistency).

Material Misstatement—A misstatement in the basic financial statements that causes the statements to not present fairly the financial position or the changes in financial position, and, where applicable, cash flows thereof, in accordance with the applicable financial reporting framework.

Material Weakness in Internal Control Over Financial Reporting—A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected, on a timely basis.

MGA—Michigan Guaranty Agency.

MI-LOAN—Michigan Alternative Student Loan.

Modified Opinion—A qualified opinion, an adverse opinion, or a disclaimer of opinion.

Moody's Investors Service, Inc. (Moody's)—A credit rating agency that, among other things, provides credit ratings for issuers of certain debt obligations or debt instruments.

MSA—Master Settlement Agreement.

MSERS—Michigan State Employees' Retirement System.

PLUS Loans—Loans made to parents of dependent undergraduates.

Significant Deficiency in Internal Control Over Financial Reporting—A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Stafford Loans—Educational loans made under the FFEL Program to students.

Standard & Poor's (S&P)—A credit rating agency that, among other things, provides credit ratings for issuers of certain debt obligations or debt instruments.

TSR—Tobacco settlement revenue.

Unmodified Opinion—The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes that the basic financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

USDOE—U.S. Department of Education.

Michigan Finance Authority

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